TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1939

No. 671

SONTAG CHAIN STORES CO., LTD., PETITIONER,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT

PETITION FOR CERTIORARI FILED JANUARY 26, 1940.

CERTIORARI GRANTED MARCH 4, 1940.

No. 9065

United States

Circuit Court of Appeals

For the Ninth Circuit.

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Appellant,

vs.

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Appellee.

Transcript of Record

Upon Appeals from the District Court of the United States for the Northern District of California, Southern Division.

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic: and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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In the United States District Court
Northern District of California, Southern Division

3941-S

In Equity

Infringement of Patent No. 1,958,409 and
Design Patent No. 89,347

NATIONAL NUT COMPANY OF CALIFORNIA, a corporation,

Plaintiff,

vs.

SONTAG CHAIN STORES CO., LTD., a corporation,

Defendant.

BILL OF COMPLAINT

To the Honorable Judge of the District Court of the United States in and for the Northern District of California:

National Nut Company of California, which is a corporation duly organized and existing under and by virtue of the laws of the State of California, and which is a citizen of said State, and which has its principal office and place of business in the City of Oakland, County of Alameda, State of California, brings this, its Bill of Complaint, against Sontag Chain Stores Co., Ltd., which at all times herein mentioned was and is a corporation duly organized and existing under and by virtue of the

laws of the State of Delaware, and which defendant is transacting business in the State of California and in the hereinbefore named district thereof and has a regular and established place of business in the City of San Francisco, in the State of California, and in the Northern District of California, whereat the said defendant has committed, and is committing, and is threatening to commit acts of infringement hereinafter complained of.

And therefore, plaintiff for its cause of action, shows: [1*]

1. That this action is an action arising from the patent laws of the United States and that the jurisdiction of this court is based upon the fact that the defendant has a regular and established place of business in the Northern District of California, and has committed acts of infringement herein complained of in said District.

2. That heretofore, and prior to December 2, 1932, Michael J. Kohler, of Oakland, California, was, within the meaning of the statutes of the United States then in force, the original, first and sole inventor of a new and useful Nut Buttering Machine, and was entitled under the then existing statutes of the United States to a patent for said invention; that said Nut Buttering Machine was not known or used in this country and not patented or described in any printed publication in this or any foreign country before his said invention or

*Page numbering appearing at the foot of page of original certified Transcript of Record.

discovery thereof, and not more than two years prior to his hereinafter cited application for patent therefor, and not in public use or on sale for more than two years prior to his application for patent therefor, and not abandoned; and no application for a foreign patent for said invention was filed more than twelve months prior to the filing of the application in the United States; and that, being such original, first and sole inventor, the said Michael J. Kohler on the 2nd day of December, 1932, made application in due form of law to the Commissioner of Patents of the United States for letters patent of the United States.

3. That by a valid written assignment duly recorded in the United States Patent Office, the entire right, title and interest in and to said invention, and any letters patent which should be granted upon such application, became vested in the plaintiff, National Nut Company of California, as by said assignment here in court to be produced, will more fully [2] and at large appear.

4. That thereupon such proceedings were had that on or about the 15th day of May, 1934, letters patent No. 1,958,409 were granted to the plaintiff, National Nut Company of California, as assignee of Michael J. Kohler, in conformity with the requirements of the statutes in such cases made and provided, under the seal of the Patent Office, and signed by the Commissioner of Patents; and that said letters patent in their terms granted to the plaintiff, National Nut Company of California, its

successors and assigns, for a term of seventeen years from the said 15th day of May, 1934, the exclusive right to make, use and vend throughout the United States and Territories thereof, the invention herein described and claimed, referring to its specifications for the particulars thereof, as by said letters patent, or a duly authenticated copy thereof here in court to be produced, will more fully and at large appear.

5. That on or before the 2nd day of December, 1932, Michael J. Kohler, a citizen of the United States, was, within the meaning of the statutes of the United States then in force, the first, true and sole inventor of a new, original and ornamental design for a Nut Buttering Machine, and was entitled under the then existing statutes of the United States to a design patent for said invention; that said design was not known or used by others in this country before his invention or discovery thereof, and was not patented or described in any printed publication in this or any foreign country before his invention or discovery thereof, or more than two years prior to his application for patent therefor, and was not in public use or on sale in the United States for more than two years prior to his said application for patent therefor, and had not been patented to him or his legal represen- [3] tatives or assigns in any foreign country upon application filed more than four months prior to his herein cited application for patent, and had not been abandoned by him; and that, being such original, first and sole inventor, the said Michael J. Kohler

on or about the 2nd day of December, 1932, made application in due form of law to the Commissioner of Patents of the United States for letters patent of the United States.

6. That by a valid written assignment duly recorded in the United States Patent Office, the entire right, title and interest in and to said invention and any letters patent which should be granted upon said application, become vested in the plaintiff, National Nut Company of California, as by said assignment here in court to be produced, will more fully and at large appear.

7. That thereupon such proceedings were had that on or about the 28th day of February, 1933, design letters patent No. 89,347, were granted to the plaintiff, National Nut Company of California, as assignee of Michael J. Kohler, in conformity with the requirements of the statutes in such cases made and provided, under the seal of the Patent Office and signed by the Commissioner of Patents, and that said letters patent in their terms, granted to the plaintiff, National Nut Company of California, its successors and assigns, for the term of fourteen years from the 28th day of February, 1933, the exclusive right to make, use and vend throughout the United States and Territories thereof, the invention therein described and claimed, referring to its specifications for the particulars thereof, as by said letters patent, or a duly authenticated copy thereof here in court to be produced, will more fully and at large appear.

8. That by reason of the premises the plaintiff, [4] National Nut Company of California, became and now is the owner of the exclusive right, title and interest in and to each of said letters patent, and in and to the respective inventions described and claimed therein.

9. That the said patented improvements, to-wit, the new and useful Nut Buttering Machine, and the said design for Nut Buttering Machine, which are both of great utility and value, have been extensively applied to practical use by the plaintiff, and that the public generally has acquiesced in plaintiff's rights to the same.

10. That the public has had sufficient notice that the apparatus and methods covered by said respective letters patent are patented; and that but for the infringement herein complained of and that of others (who, as plaintiff believes, have been encouraged by the acts of the defendant hereinafter complained of), plaintiff would still be in the undisturbed possession, use and enjoyment of the exclusive privileges secured by the issue of said respective letters patent, and in receipt of the profits from the same.

11. That the new and useful Nut Buttering Machine, and the Design for Nut Buttering Machine embodying the respective inventions as covered by the respective letters patent hereinbefore mentioned, and employed by the plaintiff have been marked with the word "Patented", together with the numbers and dates of said respective letters patent, and that

the plaintiff has also caused written notice to be served upon the defendant, the said Sontag Chain Stores Co., Ltd., a corporation, of its aforesaid infringements, but that said defendant has disregarded and continues to disregard said notice, and has since continued and still continues its unlawful and infringing acts aforesaid.

12. That said defendant, by reason of said infringing [5] acts, has caused the plaintiff great damage and injury, and defendant has acquired large profits, gains and advantages, to what extent plaintiff is not able to say, and for which plaintiff prays full discovery, and that plaintiff will continue to suffer great and irreparable damage, loss and injury unless the defendant is enjoined and restrained by the order of this court from its infringing acts, as aforesaid.

13. And forasmuch as plaintiff can have no adequate relief except in this court, and to the end that defendant, the said Sontag Chain Stores Co., Ltd., a corporation, may be required to make answer to all of the several matters hereinbefore stated and charged (but not under oath, answer under oath being hereby expressly waived), and may be compelled to account for and pay over to plaintiff the gains and profits it has received, and the damages plaintiff has suffered from defendant's aforesaid unlawful acts and may be enjoined and restrained from further infringement of the aforesaid respective letters patent, and both of them, and from further violation of plaintiff's rights thereunder, plaintiff prays:

a. That a writ of subpoena of the United States of America may be directed to the defendant, Sontag Chain Stores Co., Ltd., a corporation, demanding said defendant to appear and answer unto this Bill of Complaint, and to abide by and perform such order and decree in the premises as the Court shall deem meet, and be required by the principles of equity and good conscience.

b. For a permanent injunction and preliminary injunction, pending this suit, restraining and enjoining the defendant, its officers, agents, servants, employees and attorneys, or those in active consort or participating with them, from directly or indirectly making or causing to be made, using or causing to be used, selling or causing to be sold, any Nut [6] Buttering Machines or parts thereof, embodying and employing said inventions or covered by the said respective letters patent No. 1,958,409 and Design patent No. 89,347, or from infringing upon and violating the inventions of said letters patent, or either of them, in any way whatsoever.

c. For an accounting of profits accrued to defendant and damages sustained by plaintiff resulting from said infringement, and a sum in excess thereof, not to exceed three times the actual damages and profits, in the case of said patent No. 1,958,409.

d. For costs of this suit.

e. For such other and further relief in the prem-

ises as the court may deem proper and the equities of the case may require.

NATIONAL NUT COMPANY
OF CALIFORNIA
By W. D. LOVE
President

Plaintiff

BREED, BURPEE & ROBINSON
Solicitors for Plaintiff

Of Counsel

State of California,
County of Alameda—ss.

W. D. Love, being duly sworn, deposes and says: That he is an officer, to-wit, President of National Nut Company of California, a corporation, plaintiff in the above entitled action; that he has read the foregoing Bill of Complaint and knows the contents thereof; that the same is true of his own knowledge, except as to the matters therein stated on information or belief, and as to those matters that he believes it to be true; that he makes this affidavit on behalf of said plaintiff for the reason that plaintiff is a corporation.

W. D. LOVE

Subscribed and sworn to before me this 18th day of October, 1935.

[Seal] WM. M. THORNTON
Notary Public in and for said County and State

[Endorsed]: Filed Oct. 19, 1935. [7]

[Title of District Court and Cause—In Equity No. 3941-S.]

ANSWER

To the Honorable Judge of the District Court of the United States in and for the above-mentioned District:

I.

Defendant admits that at all times mentioned in the Bill of Complaint it was and is a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and is transacting business in the State of California and in the Northern District of California, Southern Division, and has a regular and established place of business in the City of San Francisco, in the State of California and in the Northern District of California; but denies that it has committed or is committing, or is threatening to commit any acts of infringement of the letters patent mentioned in the Bill of Complaint. As to the remaining allegations of the first paragraph of the Bill of Complaint, defendant has no knowledge and therefore leaves the plaintiff to its proof.

II.

The defendant admits the jurisdiction of this Court as alleged in the paragraph numbered 1 in the Bill of Complaint but denies infringement of the patents mentioned in the Bill of Complaint.

III.

The defendant admits that on the 15th day of May, 1934, Letters Patent of the United States No.

1,958,409, bearing the name of Michael J. Kohler, as inventor, were issued to The National Nut Company for a certain Nut Buttering Machine; but defendant is not informed as to whether said The National Nut Company is the plaintiff, and upon information and belief denies all other allegations of the paragraphs numbered 2, 3 and 4 of the Bill of Complaint. [8]

IV.

The defendant admits that on the 28th day of February, 1933, Design Letters Patent No. 89,347, bearing the name of Michael J. Kohler, as inventor, were issued to The National Nut Company for an alleged design for a Nut Buttering Machine; but defendant is not informed as to whether said The National Nut Company is the plaintiff, and upon information and belief denies all other allegations of the paragraphs numbered 5, 6 and 7 of the Bill of Complaint.

V.

The defendant has no knowledge regarding the allegations of the paragraph numbered 8 of the Bill of Complaint, and therefore leaves the plaintiff to its proof.

VI.

The defendant denies the allegations of the paragraphs numbered 9, 10, 11 and 12 of the Bill of Complaint.

VII.

The defendant is informed and believes and therefore avers that said patent No. 1,958,409 is invalid and void for the following reasons:

(a) Because the said Michael J. Kohler was not the first and original inventor of the alleged improvements described and claimed in said letters patent, but, on the contrary, the same thing in all material and essential features were previous to the alleged invention of said Michael J. Kohler, fully described and set forth in the following patents:

Letters Patent of the United States

No.	148,441	March	10, 1874	Gale
	770,859	Sept.	27, 1904	Hudson et al.
	1,458,127	June	12, 1923	Brown
	1,570,447	Jan.	19, 1926	Murphy
Des.	84,758	July	28, 1931	Samuels
Des.	85,966	Jan.	5, 1932	Wolcott

and in many other patents and printed publications not now [9] known to the defendant, but the data concerning which, when discovered hereafter, the defendant prays leave of Court to furnish and incorporate herein by suitable amendment.

(b) Because the said Michael J. Kohler was not the original and first inventor or discoverer of any material and substantial part of the thing patented in said patent No. 1,958,409, but, on the contrary, all material and substantial parts of said thing had been previously invented by one William W. Kelly, of Cleveland Heights, Ohio, and disclosed by him in his applications for patents Nos. 1,903,547 and 1,945,196.

(c) Because said patent No. 1,958,409 is for an aggregation.

(d) Because said patent No. 1,958,409 discloses no substantial novelty in view of the prior state of

the art, discloses nothing which rises to the dignity of an invention, but, on the contrary, discloses only a result of the exercise of the skill to be expected of ordinary mechanics and electricians.

(e) Because the claims of said patent No. 1,958,409 are so limited and restricted by the state of the art prior to the date of the alleged invention of said Michael J. Kohler, and by the acts of said Michael J. Kohler and his duly authorized attorney in prosecuting the application for said patent No. 1,958,409, as to exclude therefrom any device used by the defendant, and the plaintiff is therefore estopped from obtaining a broader construction of said claims such as would include any device used by the defendant.

VIII.

The defendant is informed and believes and therefore avers that said Design Patent No. 89,347 is invalid and void for the following reasons;

(a) Because the design disclosed and claimed in said patent is not an ornamental design, but, on the contrary, said [10] design is merely incidental to and results from the mechanical functions, mode of operation, and practical utility of the Nut Buttering Machine disclosed and claimed in said patent No. 1,958,409, and therefore the grant of said Design Patent No. 89,347, was not warranted by the provisions of U. S. Code, Title 35, Section 73 (Revised Statutes, Section 4929.)

(b) Because the design disclosed and claimed in said Design Patent No. 89,347 is not an inven-

tion, but, on the contrary, said design is the result of mere mechanical skill and draftsmanship.

(c) Because the said Michael J. Kohler was not the first and original inventor of the design disclosed and claimed in said Design Patent No. 89,347, but, on the contrary, the same in all material and substantial features were, previous to the alleged invention of said Michael J. Kohler, disclosed and set forth in the following patents:

Letters Patent of the United States

Des. No. 84,758,	July 28, 1931,	Samuels
Des. No. 85,966,	Jan. 5, 1932,	Wolcott

and in many other patents and printed publications not now known to this defendant, but the data concerning which, when discovered hereafter, the defendant prays leave of Court to furnish and incorporate herein by suitable amendment.

IX.

The defendant denies that it has done any act or thing, or is doing any act or thing, or proposes to do any act or thing in violation of any rights belonging to the plaintiff, or secured to it by said patent No. 1,958,409 and said Design Patent No. 89,347, and denies that the plaintiff is entitled to an injunction or any other relief whatsoever.

Wherefore, the defendant prays that the Bill of Complaint be dismissed and the reasonable costs and charges in- [11] curred by the defendant be taxed against the plaintiff, and that the defendant

may have such other and further relief as the circumstances may require.

SONTAG CHAIN STORES CO., LTD.

By PARKER, CARLSON, PITZNER & HUBBARD

Solicitors for Defendant

GEORGE L. CHINDAHL
LYON & LYON
FREDERICK S. LYON

Solicitors and of Counsel for Defendant

[Endorsed]: Filed Nov. 22, 1935. [12]

[Title of District Court and Cause—In Equity No. 3941-S.]

APPEARANCE OF ADDITIONAL COUNSEL FOR PLAINTIFF

To the Clerk of the above entitled Court:

Kindly include Charles S. Evans, attorney at law, and Hugh N. Orr, attorney at law, both of 610-617 Crocker Building, San Francisco, California, as Counsel for Plaintiff in the above entitled suit. It is requested that from and after the date hereof, all communications and matters to be directed to the attention of Counsel for Plaintiff, be addressed to Charles S. Evans at the address noted.

BREED, BURPEE & ROBINSON

Attorneys for Plaintiff

December 14, 1935.

[Endorsed]: Filed Dec. 14, 1935. [13]

[Title of District Court and Cause.—In Equity 3941-S.]

MEMORANDUM AND ORDER

Plaintiff moves to amend its bill of complaint and to file amended and supplemental bill. By the proposed amendments it seeks not only to remedy defects in the original bill of a pro forma nature, but also to bring in new claims under a reissued patent, which claims were acquired by reissue subsequent to the filing of the bill.

Plaintiff may amend its bill curing any defects in matter of form, but as to bringing in new claims, its motion will be denied. The plaintiff's rights in the premises are governed by the following language of §64, Title 35 U. S. C. A., relative to reissue of defective patents: "* * * Such surrender shall take effect upon the issue of the reissued patent, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent to the extent that its claims are identical with the original patent shall constitute a continuation thereof and have effect continuously from the date of the original patent. * * *"

It is therefore ordered that plaintiff may file an amended and supplemental bill in accordance with the views above expressed.

Dated: September 18, 1936.

A. F. ST. SURE
United States District Judge

[Endorsed]: Filed Sep. 18, 1936. [14]

[Title of District Court and Cause—In Equity No. 3941-S.]

AMENDED AND SUPPLEMENTAL BILL OF COMPLAINT

National Nut Company of California, plaintiff above named, having heretofore filed its Bill of Complaint, and defendant having filed its Answer thereto, and on motion therefor regularly made and granted, files this Amended and Supplemental Bill of Complaint and for cause of action alleges:

1. That the full name of plaintiff is National Nut Company of California, and at all times hereinafter mentioned said plaintiff was, and now is, a corporation organized and existing [15] under and by virtue of the laws of the State of California and having its principal place of business in the City of Oakland, County of Alameda, State of California; and that said plaintiff has been and now is occasionally known and referred to, erroneously, as "The National Nut Company".

2. That the full name of defendant is Sontag Chain Stores Co., Ltd., and at all times hereinafter mentioned defendant was, and still is, a corporation organized and existing under and by virtue of the laws of the State of Delaware and having a regular and established place of business in the City and County of San Francisco, State of California, within the Northern District of California, with a managing agent in charge.

3. That the ground upon which this Court's jurisdiction depends in this cause is that the same is a suit in equity arising under the Patent Laws of the United States and involving acts of infringement committed by defendant in the Northern District of California, Southern Division.

4. That heretofore, and prior to December 2, 1932, Michael J. Kohler, of Oakland, California, was, within the meaning of the statutes of the United States then in force, the original, first and sole inventor of a new and useful Nut Buttering Machine, and was entitled under the then existing statutes of the United States to a patent for said invention; that said Nut Buttering Machine was not known or used before his invention or discovery thereof and not patented or described in any printed publication in this or any foreign country before his said invention or discovery thereof or more than two years prior to his hereinafter cited application for patent therefor, and not in public use or on sale for more than two years prior to his application for patent therefor, and not abandoned, and not patented or caused to [16] be patented by him or his legal representatives or assigns in any foreign country on any application filed more than twelve months prior to the filing of the application in the United States; and that, being such original, first and sole inventor, the said Michael J. Kohler on the 2nd day of December, 1932, made application in due form of law to the Commissioner of

Patents of the United States for letters patent of the United States.

5. That on or about October 29, 1932 said Michael J. Kohler did, by an instrument in writing duly recorded in the United States Patent Office, sell, assign, transfer and set over to National Nut Company of California, the above named plaintiff, inadvertently designated in said instrument by the erroneous name "The National Nut Company", the entire right, title and interest in and to said invention, application for letters patent, and letters patent therefor when and if granted, and did request in said assignment that the letters patent, when and if granted should be issued in the name of said assignee so erroneously designated; that at at the time of said assignment, said Michael J. Kohler was the sole and exclusive owner of all right, title and interest in and to said invention, application, and letters patent therefor when and if granted; that the "The National Nut Company" referred to in said written instrument is the National Nut Company of California that is plaintiff herein, and it has at all times been so understood and intended; that thereafter, to wit, on or about the 3rd day of January, 1936 there was executed by said Michael J. Kohler and duly recorded in the United States Patent Office a written instrument designated "Correction and Assignment" indicating and correcting the erroneous designation of the assignee named in said first instrument and confirming the prior assignment to plaintiff National Nut

Company of California, of the [17] entire right, title and interest in and to said invention, application for letters patent and letters patent therefor, together with all rights pertaining thereto.

6. That thereupon such proceedings were had that on or about the 15th day of May, 1934, letters patent No. 1,958,409 were granted to the plaintiff, National Nut Company of California, erroneously designated "The National Nut Company" as hereinabove set forth, as assignee of Michael J. Kohler, in conformity with the requirements of the statutes in such cases made and provided under the seal of the Patent Office, and signed by the Commissioner of Patents, whereby there was purported and intended to be granted to the plaintiff, National Nut Company of California, its successors and assigns, for a term of seventeen years from the said 15th day of May, 1934, the exclusive right to make, use and vend throughout the United States and Territories thereof, the invention therein described and claimed; and that prior to the issuance of said letters patent, all proceedings were had and taken which were required by law to be had and taken prior to the issuance of letters patent for new and useful inventions.

7. That thereafter and subsequent to the filing of plaintiff's Bill of Complaint herein, plaintiff, National Nut Company of California, discovered for the first time that said original letters patent No. 1,958,409 were partially inoperative by reason of a defective and insufficient specification, and that

such defects and insufficiencies arose through inadvertence, accident and mistake and without any fraudulent or deceptive intent on the part of the plaintiff herein or its said assignor Michael J. Kohler, and therefore constituted good and lawful cause for reissuing said original letters patent, such facts and defects being set forth in the oath forming part of the application for [18] reissue of said letters patent hereinafter referred to. Whereupon, promptly upon learning as aforesaid and for the first time that said letters patent No. 1,958,409 were partially inoperative, plaintiff National Nut Company of California, being then the sole and exclusive owner of all the right, title and interest in and to said letters patent, caused to be filed in the United States Patent Office on January 15, 1936, an application for reissue of said letters patent No. 1958,409, said application being duly executed by plaintiff's assignor, Michael J. Kohler and being filed in behalf of plaintiff and with its assent, plaintiff at the time tendering and offering to surrender the said original letters patent, all in due form as provided by law. Thereupon, due proceedings being had, the Commissioner of Patents having found that all of the conditions requisite to a reissue of said letters patent had been complied with, did on the 30th day of June, 1936 cause said original letters patent No. 1958,409 to be surrendered and reissue patent No. 20,024 for the same invention to be duly granted, issued, and delivered to plaintiff,

National Nut Company of California, its successors and assigns, for the unexpired term of said original letters patent No. 1958,409 as will more fully appear from said reissue letters patent No. 20,024 dated June 30, 1936, which are ready in court to be produced by plaintiff; claims 1, 2, 3 and 4 of said reissue patent being identical respectively with claims 1, 2, 3 and 4 of said original patent.

8. That on or before the 2nd day of December, 1932, Michael J. Kohler, a citizen of the United States, was, within the meaning of the statutes of the United States then in force, the first, true and sole inventor of a new, original and ornamental design for a Nut Buttering Machine, and was entitled under the then existing statutes of the United States to a design patent for said invention; that said design was not known or used by others before his invention or discovery thereof, and was not [19] patented or described in any printed publication in this or any foreign country before his invention or discovery thereof, or more than two years prior to his application for patent therefor, and was not in public use or on sale in the United States for more than two years prior to his said application for patent therefore, and had not been patented in any foreign country upon application filed by him or his legal representatives or assigns more than four months prior to his herein cited application for patent, and had not been abandoned by him; and that, being such original, first and sole inventor,

the said Michael J. Kohler on or about the 2nd day of December, 1932, made application in due form of law to the Commissioner of Patents of the United States for letters patent of the United States.

9. That on or about October 22, 1932 said Michael J. Kohler did, by an instrument in writing duly recorded in the United States Patent Office, sell, assign, transfer and set over to National Nut Company of California, the above named plaintiff, inadvertently designated in said instrument by the erroneous name "The National Nut Company", the entire right, title, and interest in and to said invention, application for letters patent, and letters patent therefor when and if granted, and did request in said assignment that the letters patent, when and if granted, should be issued in the name of said assignee so erroneously designated; that at the time of said assignment, said Michael J. Kohler was the sole and exclusive owner of all right, title and interest in and to said invention, application, and letters patent therefor when and if granted; that the "The National Nut Company" referred to in said instrument is the National Nut Company of California that is plaintiff herein, and it has at all times been so understood and intended; that thereafter, to wit, on [20] or about the 3rd day of January, 1936, there was executed by said Michael J. Kohler, and duly recorded in the United States Patent Office a written instrument designated "Correction and Assignment" indicating and correcting the erroneous

designation of the assignee named in said instrument of October 22, 1932 and confirming the prior assignment to plaintiff, National Nut Company of California, of the entire right, title and interest in and to said invention, application for letters patent, and letters patent therefor, together with all rights pertaining thereto.

10. That thereupon such proceedings were had that on or about the 28th day of February, 1933, design letters patent No. 89,347 were granted to the plaintiff, National Nut Company of California, erroneously designated "The National Nut Company" as hereinabove set forth, as assignee of Michael J. Kohler, in conformity with the requirements of the statutes in such cases made and provided, under the seal of the Patent Office and signed by the Commissioner of Patents, and that said letters patent in their terms, granted to the plaintiff, National Nut Company of California, its successors and assigns, for the term of fourteen years from the 28th day of February, 1933, the exclusive right to make, use and vend throughout the United States and Territories thereof, the invention therein described and claimed, referring to its specification for the particulars thereof, as by said letters patent, or a duly authenticated copy thereof here in court to be produced, will more fully and at large appear.

11. That by reason of the premises the plaintiff, National Nut Company of California, became and now is the equitable and legal owner of the exclu-

sive right, title and interest in and to each of said letters patent, and in and to the respective inventions described and claimed therein. [21]

12. That the said patented improvements, to wit, the new and useful Nut Buttering Machine, and the said design for Nut Buttering Machine, which are both of great utility and value, have been extensively applied to practical use by the plaintiff, and that the public generally has acquiesced in plaintiff's rights to the same; and that but for the infringement herein complained of and that of others (who, as plaintiff believes, have been encouraged by the acts of the defendant hereinafter complained of), plaintiff would still be in the undisturbed possession, use and enjoyment of the exclusive privileges secured by the issue of said respective letters patent.

13. That the new and useful Nut Buttering Machine, and the design for Nut Buttering Machine embodying the respective inventions as covered by the respective letters patent hereinbefore mentioned, and employed by the plaintiff have been marked with the word "Patented", together with the dates of said respective letters patent; and that the plaintiff has also caused written notice to be served upon the defendant, the said Sontag Chain Stores Co., Ltd., a corporation, of its aforesaid infringements, but that said defendant has disregarded and continues to disregard said notice, and has since continued and still continues its unlawful and infringing acts herein complained of.

14. That plaintiff is informed and believes and upon such information and belief alleges that since the issue of said original letters patent No. 1958,409 and letters patent for design No. 89,347, and within six years last past, within the Southern Division of the Northern District of California, and elsewhere, and prior to the commencement of this suit, defendant, well knowing the rights and privileges secured to plaintiff by said respective letters patent, without the license or consent of [22] plaintiff, but contrary thereto, and with intent to injure and deprive plaintiff of the profits, benefits and advantages accruing to it by virtue of said respective letters patent has used machines embodying and containing one or both of said inventions disclosed and claimed in and by said letters patent, and has thereby infringed said original letters patent No. 1958,409 and reissue patent No. 20,024, and each of them as to claims 1, 2, 3 and 4 thereof, and each of them, and the claim of said patent for design No. 89,347, and that defendant is still engaged in carrying on its said unauthorized use of said machines in infringement of said letters patent for design No. 89,347 and of reissue letters patent No. 20,024.

15. That said defendant, by reason of said infringing acts, has caused the plaintiff great damage and injury, and defendant has acquired large profits, gains and advantages, to what extent plaintiff is not able to say, and for which plaintiff prays full discovery, and that plaintiff will continue to suffer great and irreparable damage, loss and in-

jury, unless the defendant is enjoined and restrained by the order of this court from its infringing acts, as aforesaid.

16. And forasmuch as plaintiff can have no adequate relief except in this court, and to the end that defendant, the said Sontag Chain Stores Co., Ltd., a corporation, may be required to make answer to all of the several matters hereinabove stated and charged (but not under oath, answer under oath being hereby expressly waived), and may be compelled to account for and pay over to plaintiff the gains and profits it has received, and the damages plaintiff has suffered from defendant's aforesaid unlawful acts and may be enjoined and restrained from further infringement of the aforesaid respective letters patent, and both of them, and from further violation of plaintiff's rights thereunder, plaintiff [23] prays:

a. For a permanent injunction and a preliminary injunction, pending this suit, restraining and enjoining the defendant, its officers, agents, servants, employees and attorneys, or those in active consort or participating with them, from directly or indirectly making or causing to be made, using or causing to be used, selling or causing to be sold, any Nut Buttering Machines or parts thereof, embodying and employing said inventions or covered by the said respective letters patent No, 1,958,409 and reissue thereof No. 20,024, and Design patent No. 89,347, or from infringing upon and violating the inventions of said letters patent, or either of them, in any way whatsoever.

b. For an accounting of profits accrued to defendant and damages sustained by plaintiff resulting from said infringement, and a sum in excess thereof, not to exceed three times the actual damages and profits, in the case of said patent No. 1,958,409, and reissue No. 20,024.

c. For costs of this suit.

d. For such other and further relief in the premises as the court may deem proper and the equities of the cause may require.

NATIONAL NUT COMPANY
OF CALIFORNIA
By CHARLES S. EVANS
HUGH N. ORR
Solicitors and Counsel for Plaintiff.

BREED, BURPEE & ROBINSON
1111 Financial Center Building,
Oakland, California
of Counsel. [24]

Verification

State of California,
County of Alameda.—ss.

W. D. Love, being duly sworn, deposes and says: That he is President of National Nut Company of California, a corporation, plaintiff in the above entitled action; that he has read the foregoing Amended and Supplemental Bill of Complaint and knows the contents thereof; that the same is true of his own knowledge, except as to the matters which are stated therein to be alleged on informa-

tion or belief, and as those matters that he believes it to be true; that he makes this affidavit on behalf of said plaintiff for the reason that plaintiff is a corporation.

W. D. LOVE

Subscribed and sworn to before me this 8th day of January, 1937.

[Seal] MARGARET WALKER
Notary Public in and for the County
of Alameda, and State of California.

Acknowledgment of Service

Receipt of a copy of the foregoing Amended and Supplemental Bill of Complaint admitted this 11th day of January, 1937.

TOWNSEND & HACKLEY
CHAS. E. TOWNSEND
ROY C. HACKLEY, Jr.
Attorneys for Defendant.

[Endorsed]: Filed Jan. 11, 1937. [25]

[Title of District Court and Cause—In Equity No. 3941-S.]

ANSWER TO AMENDED AND SUPPLEMENTAL BILL OF COMPLAINT

Comes now Sontag Chain Stores Co., Ltd., a corporation, defendant in the above-entitled action, and as and for its answer to the amended and sup-

plemental bill of complaint on file herein, admits, denies and alleges as follows:

I.

Answering the allegations of paragraph 1 of plaintiff's amended and supplemental bill of complaint, defendant alleges that it has no knowledge, information or belief sufficient to enable it to answer the allegations of said paragraph and, basing its denial upon that ground, denies, both generally and specifically, each and all of said allegations in said paragraph 1 contained.

II.

Answering the allegations of paragraph 2 of plaintiff's amended and supplemental bill of complaint, defendant admits that at all times mentioned in said paragraph 2 it was and is a corporation duly organized under and existing under and by virtue of the laws of the State of Delaware and that it is transacting business in the State of California, and within the Northern District of California, Southern Division, and has a regular and established place of business in the City and County of San Francisco, State of California, and within the Northern District of California.

Defendant denies, both generally and specifically, each and all of the other allegations of said paragraph 2 of plaintiff's amended and supplemental bill of complaint, excepting such allegations herein as are expressly admitted.

III.

Answering the allegations of paragraph 3 of plaintiff's [26] amended and supplemental bill of complaint, defendant admits that the jurisdiction of this court arises out of and under the Patent Laws of the United States and that this is a suit in equity; but defendant denies that this action involves any acts or infringement or alleged infringement committed or alleged to have been committed by defendant or anyone else in the Northern District of California, Southern Division, or in any other jurisdiction whatsoever.

IV.

Answering the allegations of paragraph 4 of plaintiff's amended and supplemental bill of complaint, defendant has no knowledge, information or belief sufficient to enable it to answer the allegations in said paragraph 4 contained, and, basing its denial upon that ground, denies, both generally and specifically, each and all of said allegations in said paragraph 4 contained and places plaintiff upon strict proof thereof.

V.

Answering the allegations of paragraph 5 of plaintiff's amended and supplemental bill of complaint, defendant has no knowledge, information or belief sufficient to enable it to answer the allegations in said paragraph 5 contained, and, basing its denial upon that ground, denies, both generally and specifically.

each and all of said allegations in said paragraph 5 contained and places plaintiff upon strict proof thereof.

VI.

Answering the allegations of paragraph 6 of plaintiff's amended and supplemental bill of complaint, defendant admits that on the 15th day of May, 1934, United States Letters Patent No. 1,958,409, bearing the name of Michael J. Kohler, as the alleged inventor thereof, were issued to The National Nut [27] Company for what purports to be a particular Nut Buttering Machine; and defendant admits that the term of said United States Letters Patent was seventeen (17) years from the date of issuance thereof, to-wit, said 15th day of May, 1934.

Defendant has no knowledge, information or belief sufficient to enable it to answer the other allegations in said paragraph 6 contained, and, basing its denial upon that ground, denies both generally and specifically, each and all of the allegations in said paragraph 6 contained, except as hereinabove expressly admitted, and places plaintiff upon strict proof thereof.

VII.

Answering the allegations of paragraph 7 of plaintiff's amended and supplemental bill of complaint, defendant denies all of the allegations of said paragraph 7, both generally and specifically, excepting that defendant admits that on June 30,

1936, there was issued to National Nut Company of California United States Reissue Letters Patent No. 20,024.

VIII.

Answering the allegations of paragraph 8 of plaintiff's amended and supplemental bill of complaint, defendant alleges that it has no information, knowledge or belief sufficient to enable it to answer the allegations in said paragraph 8 contained, and, basing its denial upon that ground, denies, both generally and specifically, each and all of said allegations in said paragraph 8 contained, and places plaintiff upon strict proof thereof.

IX.

Answering the allegations of paragraph 9 of plaintiff's amended and supplemental bill of complaint, defendant alleges that it has no information, knowledge or belief sufficient to enable it to answer the allegations in said paragraph 9 con- [28] tained, and, basing its denial upon that ground, denies, both generally and specifically, each and all of said allegations in said paragraph 9 contained, and places plaintiff upon strict proof thereof.

X.

Answering the allegations of paragraph 10 of plaintiff's amended and supplemental bill of complaint, defendant admits that on the 28th day of February, 1933, United States Design Letters Patent No. 89,347, bearing the name of Michael J.

Kohler, as the alleged inventor thereof, were issued to The National Nut Company for an alleged design for a Nut Buttering Machine; and defendant admits that said United States Design Letters Patent were issued for a term of fourteen (14) years from the date of issuance thereof, to-wit, said 28th day of February, 1933.

Defendant denies each and every, all and several, of the other allegations in said paragraph 10 contained and not expressly hereinabove admitted.

XI.

Answering the allegations of paragraph 11 of plaintiff's amended and supplemental bill of complaint, defendant alleges that it has no knowledge, information or belief sufficient to enable it to answer the allegations thereof, and, basing its denial upon that ground, denies, both generally and specifically, each and all of the allegations in said paragraph 11 contained, and places plaintiff upon strict proof thereof.

XII.

Answering the allegations of paragraph 12 of plaintiff's amended and supplemental bill of complaint, defendant denies, both generally and specifically, each and all of the allegations in said paragraph 12 contained, and places plaintiff upon strict proof thereof. [29]

XIII.

Answering the allegations of paragraph 13 of plaintiff's amended and supplemental bill of com-

plaint, defendant denies, both generally and specifically, each and all of the allegations in said paragraph 12 contained, and places plaintiff upon strict proof thereof.

XIV.

Answering the allegations of paragraph 14 of plaintiff's amended and supplemental bill of complaint, defendant denies, both generally and specifically, each and all of the allegations in said paragraph 14 contained, and places plaintiff upon strict proof thereof.

XV.

Answering the allegations of paragraph 15 of plaintiff's amended and supplemental bill of complaint, defendant denies, both generally and specifically, each and all of the allegations in said paragraph 15 contained, and places plaintiff upon strict proof thereof.

XVI.

Answering the allegations of paragraph 16 of plaintiff's amended and supplemental bill of complaint, defendant denies, both generally and specifically, each and all of the allegations in said paragraph 16 contained, and places plaintiff upon strict proof thereof.

Further and Separate Defenses

XVII.

That plaintiff cannot maintain this suit because it does not come into this court with clean hands

and is thereby estopped to enforce any right of action against defendant.

XVIII.

That defendant is informed and believes and therefore avers that the United States Reissue Letters Patent No. [30] 20,024, herein sued upon, is invalid and void for the following reasons:

(a) By reason of the fact that the said Michael J. Kohler was not the first and original inventor of the alleged improvements described and claimed in said Reissue Letters Patent, but, on the contrary, the same thing in all material and essential features was, previous to the alleged invention of said Michael J. Kohler, fully described and set forth in the following patents:

Letters Patent of the United States

Number	Issue Date	Patentee
148,441	March 10, 1874	Gale
770,859	Sept. 27, 1904	Hudson, et al
1,458,127	June 12, 1923	Brown
1,570,447	Jan. 19, 1926	Murphy
Des. 84,758	July 28, 1931	Samuels
Des. 85,966	Jan. 5, 1932	Wolcott

and in many other patents and printed publications not now known to the defendant, but the data concerning which, when discovered hereafter, the defendant prays leave of the Court to furnish and incorporate herein by suitable amendment.

(b) Because the said Michael J. Kohler was not the original and first inventor or discoverer of any material and substantial part of the thing pat-

ented in said Reissue Patent No. 20,024, but, on the contrary, all material and substantial parts of said thing had been previously invented by one William W. Kelly, of Cleveland Heights, Ohio, and disclosed by him in his applications for Letters Patent of the United States No. 1,903,547 and No. 1,945,196.

(c) Because said Reissue Letters Patent No. 20,024 is for a mere aggregation.

(d) Because the claims of said Reissue Letters Patent [31] No. 20,024 are incomplete.

(e) Because there is no patentable cooperation between the elements recited in the claims of said Reissue Patent No. 20,024.

(f) Because the claims herein sued upon cover a materially different device from that described by the original application for the original patent of which the Letters Patent here in suit purports to be a reissue.

(g) Because said Reissue Patent No. 20,024 discloses no substantial novelty in view of the prior state of the art, discloses nothing which arises to the dignity of an invention, but, on the contrary, discloses only a result of the exercise of the skill to be expected of ordinary mechanics and electricians.

XIX.

That the Reissue Letters Patent in suit No. 20,024 is invalid because the claims thereof herein sued upon are so limited and restricted by the state of the art prior to the date of the alleged invention of said Michael J. Kohler, and by the acts of said Michael J. Kohler and his duly authorized attorney

in prosecuting the application for said claims herein sued upon of Reissue Letters Patent No. 20,024, as to exclude therefrom any device used by the defendant, and the plaintiff is therefore estopped from obtaining a broader construction of said claims such as would include any device used by the defendant.

XX.

That the Reissue Letters Patent in suit No. 20,024 is invalid because it does not particularly point out and distinctly claim the part, improvement or combination which the inventor claims as his invention, and that the claims and all thereof of said Reissue Letters Patent No. 20,024 herein sued upon are invalid because being indistinct and unintelligible, [32] vague and ambiguous they do not particularly point out and distinctly claim the part, improvement or combination which the inventor claims as his invention.

XXI.

That the Reissue Letters Patent in suit No. 20,024 is invalid because it is ambiguous and contains nebulous claims and particularly that the claims herein sued upon are invalid because they are ambiguous, untelligible and nebulous.

XXII.

That defendant is informed and believes and therefore avers that said design Patent No. 89,347 is invalid and void for the following reasons:

(a) Because the design disclosed and claimed is said Design Patent is not an ornamental design,

but, on the contrary, said design is merely incidental to and results from the mechanical functions, mode of operation, and practical utility of the Nut Buttering Machine disclosed and claimed in said Reissue Letters Patent No. 20,024, and therefore the grant of said Design Patent No. 89,347 was not warranted by the provisions of U. S. Code, Title 35, Section 73 (Revised Statutes, Section 4929).

(b) Because the design disclosed and claimed in said Design Patent No. 89,347 is not an invention, but, on the contrary, said design is the result of mere mechanical skill and draftsmanship.

(c) Because the said Michael J. Kohler was not the first and original inventor of the design disclosed and claimed in said Design Patent No. 89,347, but, on the contrary, the same in all material and substantial features were, previous to the alleged invention of said Michael J. Kohler, disclosed and set forth in the following patents: [33]

Letters Patent of the United States

Number	Issue Date	Patentee
Des 84,758	July 28, 1931	Samuels
Des 85,966	Jan. 5, 1932	Wolcott

and in many other patents and printed publications not now known to this defendant, but the data concerning which, when discovered hereafter, the defendant prays leave of Court to furnish and incorporate herein by suitable amendment.

XXIII.

That defendant denies that it has done any act or thing, or is doing any act or thing, or proposes

to do any act or thing in violation of any rights belonging to the plaintiff, or secured to it by said Reissue Letters Patent No. 20,024 and/or said Design Patent No. 89,347, and denies that the plaintiff is entitled to an injunction in the premises or to any other relief of any sort or kind whatsoever.

Wherefore, defendant prays that plaintiff's amended and supplemental bill of complaint be dismissed with prejudice and that the reasonable costs and charges incurred by defendant in the defense hereof be taxed against plaintiff, and that defendant may have such other and further relief as in the circumstances may be mete and proper.

SONTAG CHAIN STORES CO., LTD.
By TOWNSEND & HACKLEY
CHAS. E. TOWNSEND
ROY C. HACKLEY JR.
Attorneys for Defendant.

PARKER, CARLSON, PITZNER & HUBBARD
Of Counsel and Attorneys for Defendant

Dated: February 18, 1937.

Receipt of a copy of the foregoing Answer To Amended and Supplemental Bill of Complaint, acknowledged, this 18th day of February, 1937.

CHARLES S. EVANS
HUGH N. ORR
Solicitors and Counsel
for Plaintiff.

[Endorsed]: Filed Feb. 18, 1937. [34]

At A Stated Term of the Southern Division of the United States District Court for the Northern District of California, held at the Court Room thereof, in the City and County of San Francisco, on Monday, the 8th day of March, in the year of our Lord one thousand nine hundred and thirty-seven.

Present: the Honorable A. F. St. Sure, District Judge.

[Title of District Court and Cause—No. 3941-S]

After hearing attorneys, Ordered motion to strike portions of answer, granted as to paragraph 17.

[35]

In the United States District Court, Northern District of California, Southern Division

In Equity No. 4133-S.

For infringement of United States Reissue Patent No. 20,024.

NATIONAL NUT COMPANY OF CALIFORNIA, a corporation,

Plaintiff,

vs.

SONTAG CHAIN STORES CO., LTD., a corporation,

Defendant.

BILL OF COMPLAINT

National Nut Company of California, plaintiff above named, complains of defendant above named, and for cause of action alleges:

1. That the full name of plaintiff is National Nut Company of California, and at all times hereinafter mentioned said plaintiff was, and now is, a corporation organized and existing [36] under and by virtue of the laws of the State of California, and having its principal place of business in the City of Oakland, County of Alameda, State of California; and that said plaintiff has been and now is occasionally known and referred to, erroneously, as "The National Nut Company".

2. That the full name of defendant is Sontag Chain Stores Co., Ltd., and at all times hereinafter mentioned defendant was, and still is, a corporation organized and existing under and by virtue of the laws of the State of Delaware, and having a regular and established place of business in the City and County of San Francisco, State of California, within the Northern District of California, with a managing agent in charge.

3. That the ground upon which this Court's jurisdiction depends in this cause is that the same is a suit in equity arising under the Patent Laws of the United States, and involving acts of infringement committed by defendant in the Northern District of California, Southern Division.

4. That heretofore, and prior to December 2, 1932, Michael J. Kohler, of Oakland, California, was, within the meaning of the statutes of the

United States then in force, the original, first and sole inventor of a new and useful Nut Buttering Machine, and was entitled under the then existing statutes of the United States to a patent for said invention; that said Nut Buttering Machine was not known or used before his invention or discovery thereof and not patented or described in any printed publication in this or any foreign country before his said invention or discovery thereof or more than two years prior to his hereinafter cited application for patent therefor, and not in public use or on sale for more than two years prior to his application for patent therefor, and not abandoned, and not patented or caused to [37] be patented by him or his legal representatives or assigns in any foreign country on any application filed more than twelve months prior to the filing of said application in the United States; and that, being such original, first and sole inventor, the said Michael J. Kohler, on the 2nd day of December, 1932, made application in due form of law to the Commissioner of Patents of the United States for letters patent of the United States on said invention.

5. That on or about October 29, 1932, said Michael J. Kohler did, by an instrument in writing duly recorded in the United States Patent Office, sell, assign, transfer and set over to National Nut Company of California, the above named plaintiff, inadvertently designated in said instrument by the erroneous name "The National Nut Company", the entire right, title and interest in and to said

invention, application for letters patent, and letters patent therefor when and if granted, and did request in said assignment that the letters patent, when and if granted, should be issued in the name of said assignee so erroneously designated; that at the time of said assignment, said Michael J. Kohler was the sole and exclusive owner of all right, title and interest in and to said invention, application, and letters patent therefor when and if granted; that the "The National Nut Company" referred to in said written instrument is the National Nut Company of California that is plaintiff herein, and it has at all times been so understood and intended; that thereafter, to-wit, on or about the 3rd day of January, 1936, there was executed by said Michael J. Kohler, and duly recorded in the United States Patent Office, a written instrument designated "Correction and Assignment", indicating and correcting the erroneous designation of the assignee [38] named in said first instrument, and confirming the prior assignment to plaintiff National Nut Company of California, of the entire right, title and interest in and to said invention, application for letters patent and letters patent therefor, together with all rights pertaining thereto.

6. That thereupon such proceedings were had that on or about the 15th day of May 1934, letters patent No. 1,958,409 were granted to the plaintiff, National Nut Company of California, erroneously designated "The National Nut Company" as hereinabove set forth, as assignee of Michael J. Kohler,

in conformity with requirements of the statutes in such cases made and provided, under the seal of the Patent Office, and signed by the Commissioner of Patents, whereby there was purported and intended to be granted to the plaintiff, National Nut Company of California, its successors and assigns, for a term of seventeen years from the said 15th day of May, 1934, the exclusive right to make, use and vend throughout the United States and Territories thereof, the invention therein described and claimed; and that prior to the issuance of said letters patent, all proceedings were had and taken which were required by law to be had and taken prior to the issuance of letters patent for new and useful inventions.

7. That thereafter, plaintiff, National Nut Company of California, discovered for the first time that said original letters patent No. 1,958,409 were partially inoperative by reason of a defective and insufficient specification, and that such defects and insufficiencies arose through inadvertence, accident and mistake, and without any fraudulent or deceptive intent on the part of the plaintiff herein or its said assignor Michael J. Kohler, and therefore constituted good and lawful cause for reissuing said original [39] letters patent, such facts and defects being set forth in the Oath forming part of the application for reissue of said letters patent hereinafter referred to. Whereupon, promptly upon learning as aforesaid and for the first time that said letters patent No. 1,958,409 were partially inopera-

tive, plaintiff National Nut Company of California, being then the sole and exclusive owner of all the right, title and interest in and to said letters patent, caused to be filed in the United States Patent Office on January 15, 1936, an application for reissue of said letters patent No. 1,958,409, said application being duly executed by plaintiff's assignor, Michael J. Kohler and being filed in behalf of plaintiff and with its assent, plaintiff at the time tendering and offering to surrender the said original letters patent, all in due form as provided by law. Thereupon, due proceedings being had, the Commissioner of Patents having found that all of the conditions requisite to a reissue of said letters patent had been complied with, did on the 30th day of June, 1936 cause said original letters patent No. 1,958,409 to be surrendered and reissue patent No. 20,024, for the same invention to be duly granted, issued, and delivered to plaintiff, National Nut Company of California, its successors and assigns, for the unexpired term of said original letters patent No. 1,958,409 as will more fully appear from said reissue letters patent No. 20,024 dated June 30, 1936, which are ready in Court to be produced by plaintiff.

8. That by reason of the premises the plaintiff, National Nut Company of California, became and now is the equitable and legal owner of the exclusive right, title and interest in and to said reissue patent, and in and to the invention described and claimed therein.

9. That the said invention disclosed and claimed in said reissue patent No. 20,024 is of great value and utility, and [40] has been widely and favorably received by the trade and public; that plaintiff has built up a large, profitable and growing business under said original and reissue patents, and said invention, and the patent rights thereon, have been and now are of great value and advantage to plaintiff, but such rights and advantages have been, and now are being, diminished in value and damaged by wrongful and unlawful acts of defendant, as hereinafter complained of.

10. That plaintiff is informed and believes and upon such information and belief alleges that since the issue of said reissue patent No. 20,024, and within six years last past, within the Southern Division of the Northern District of California, and elsewhere, and prior to the commencement of this suit, defendant, well knowing the rights and privileges secured to plaintiff by said reissue patent, without the license or consent of plaintiff, but contrary thereto, and with intent to injure and deprive plaintiff of the profits, benefits and advantages accruing to it by virtue of said patent, has used machines embodying and containing said invention disclosed and claimed in and by said reissue patent, and has thereby infringed said reissue patent as to claims 5 to 17 inclusive, and each of them.

11. That defendant has had full knowledge and notice of the rights of plaintiff in, and to and under said reissue patent by reason of the filing and serv-

ing of a motion heretofore made by plaintiff, on or about June 26, 1936, in a suit, now pending before this Court, entitled National Nut Company of California, a corporation, Plaintiff, vs. Sontag Chain Stores Co., Ltd., a corporation, Defendant, Equity No. 3941-S, which suit was brought by plaintiff herein against defendant herein for alleged infringement of plaintiff's patent rights including the rights granted by original patent [41] No. 1,958,409, and which motion was directed to procuring leave to file an amended and supplemental bill of complaint alleging among other matters the granting of said reissue patent No. 20,024 and the infringement of the claims thereof by defendant; that since the issuance of said reissue patent sufficient notice thereof has been given to the public, as required by law, by affixing to the devices manufactured by and for plaintiff the word "Patented" together with the number of said reissue patent under which said devices were manufactured.

12. That from and by reason of the infringement aforesaid, plaintiff has suffered damages; and plaintiff alleges on information and belief, that defendant has realized large gains, profits and advantages; that the respective amounts of said damages, profits and gains are unknown to plaintiff and can be ascertained only by an accounting.

13. That plaintiff is informed and believes, and upon information and belief alleges, that defendant is still engaged in carrying on the infringement aforesaid, and threatens to continue the same indef-

initely; and, unless restrained therefrom by this Court, will continue the same, whereby plaintiff will suffer great and irreparable injury and damage, for which there is no plain, speedy or adequate remedy at law.

Wherefore, plaintiff prays:

A. That defendant, its officers, attorneys, agents, servants, employees and workmen, and each of them, be permanently enjoined and restrained from making, using, or selling, or causing to be made, used or sold, any structure embodying or containing the invention disclosed and claimed in and by said reissue patent No. 20,024, and from contributing to or aiding or abetting the infringe- [42] ment of said reissue patent, either directly or indirectly, or in any manner whatsoever.

B. That plaintiff have and recover from the defendant, treble the amount of damages sustained by plaintiff, and the profits realized by defendant, from and by reason of the infringement aforesaid, together with costs of suit; and such other and further relief as to the Court may seem proper and in accordance with equity and good conscience.

NATIONAL NUT COMPANY
OF CALIFORNIA,
By CHARLES S. EVANS
HUGH N. ORR
Its Solicitors and Counsel.

[43]

Verification

State of California,
County of Alameda—ss.

W. D. Love, being duly sworn, deposes and says: That he is President of National Nut Company of California, a corporation, plaintiff in the above entitled action; that he has read the foregoing bill of complaint and knows the contents thereof; that the same is true of his own knowledge, except as to the matters which are stated therein to be alleged on information or belief, and as to those matters that he believes it to be true; that he makes this affidavit on behalf of said plaintiff for the reason that plaintiff is a corporation.

W. D. LOVE

Subscribed and sworn to before me this 12th day of January, 1937.

[Seal] MARGARET WALKER
Notary Public in and for the County of Alameda, and State of California.

[Endorsed]: Filed Jan. 26, 1937. [44]

[Title of District Court and Cause—In Equity No 4133-S.]

DEFENDANT'S ANSWER

The defendant, for answer to the Bill of Complaint herein, says:

I.

The Defendant admits, for the purposes of this case, the allegations in paragraphs 1 and 2 of the Bill of Complaint.

II.

The defendant admits the jurisdiction of this Court as alleged in paragraph 3 of the Bill of Complaint, but denies infringement of the reissue letters patent mentioned in the Bill of Complaint.

III.

The Defendant admits that letters patent of the United States No. 1,958,409 was issued to The National Nut Company as assignee of Michael J. Kohler on May 15, 1934; but it is not informed save by the Bill of Complaint as to the other matters alleged in paragraphs 4, 5, and 6 thereof, and therefore denies all such allegations.

IV.

The Defendant admits that reissue letters patent No. 20,024 was issued to National Nut Company of California on June 30, 1936; but it is not informed save by the Bill of Complaint as to the other matters alleged in paragraphs 7 and 8 thereof, and therefore denies all such allegations.

V.

The Defendant admits that it had notice of said reissue letters patent but denies that it has infringed claims 5 to 17, inclusive, or any of them, of said reissue letters patent; denies that it has realized large gains, profits and advantages from any

infringement; denies that the plaintiff [45] has suffered damages by reason of any acts of the Defendant; denies that the Defendant is still engaged in carrying on or threatens to continue any infringement; and denies each and every allegation in paragraphs 9, 10, 11, 12 and 13 of said Bill of Complaint except the allegation of notice.

VI.

Upon information, advice and belief, the Defendant avers that the said reissue letters patent No. 20,024 was and is invalid and void because the alleged invention and discovery described and claimed therein and all material and substantial parts thereof was, prior to the date of the alleged invention and discovery thereof by the patentee, or more than two years before the date of application for the said original letters patent No. 1,958,409, patented in the following letters patent of the United States, to-wit:

148,441	Mar. 10, 1874	Gale
239,269	Mar. 22, 1881	Pearson
532,089	Jan. 8, 1895	Overton
858,318	June 25, 1907	Young
1,120,758	Dec. 15, 1914	Stirn
1,466,595	Aug. 28, 1923	Mabey
1,478,819	Dec. 25, 1923	Cretors
1,583,500	May 4, 1926	Smith
1,675,099	June 26, 1928	Gregg et al.
1,729,866	Oct. 1, 1929	Cretors
1,754,518	Apr. 15, 1930	Kinnie
1,786,877	Dec. 30, 1930	Thompson
1,800,863	Apr. 14, 1931	Johnson
1,880,822	Oct. 4, 1932	Cook, et al.
Br. 18,268	of 1897	
Br. 236,079	of 1925	

and also in other United States and foreign patents now unknown to the Defendant but which, when known, it prays leave to insert in this answer by proper amendment.

VII.

Upon information, advice and belief, the Defendant avers that Michael J. Kohler was not the original, first and sole inventor or discoverer of the alleged improvements purporting to be covered by said reissue letters patent No. [46] 20,024, or of any material or substantial parts thereof, but that the aforesaid Michael J. Kohler surreptitiously and unjustly obtained the said reissue letters patent for that which was not his invention or discovery but was in fact an invention or discovery made by others who were using reasonable diligence in adapting and perfecting the same, as shown in the following letters patent of the United States, to-wit:

1,786,877	Dec. 30, 1930	Thompson
1,800,863	Apr. 14, 1931	Johnson
1,880,822	Oct. 4, 1932	Cook et al.
1,903,547	Apr. 11, 1933	Kelly
1,945,196	Jan. 30, 1934	Kelly
2,012,981	Sept. 3, 1935	Wilsey

and also in other United States and foreign patents now unknown to the Defendant but which when known, it prays leave to insert in this answer by proper amendment.

VIII.

Upon information, advice and belief, the Defendant avers that the said reissue letters patent No.

20,024 was and is invalid and void because the alleged invention and discovery described and claimed therein and all material and substantial parts thereof were, prior to the date of the alleged invention and discovery thereof by the said patentee, or more than two years prior to the date of filing of the application for said letters patent, described and published in various printed publications now unknown to the Defendant but which, when known, it prays leave by proper amendment to insert in this answer.

IX.

Upon information advice and belief, the Defendant avers that the said reissue letters patent No. 20,024 was and is invalid and void because the alleged invention purporting [47] to be patented thereby did not constitute patentable knowledge or invention within the meaning of the patent laws of the United States in view of the existing state of the art, and that it was common knowledge of those skilled in the art, prior to the date of the alleged invention of the subject-matter of the said reissue letters patent by the patentee thereof.

X.

Upon information, advice and belief, the Defendant avers that the said reissue letters patent No. 20,024 was issued by the United States Patent Office without due investigation, and that as shown by the records and contents of the file wrapper of the application for said reissue letters patent, a

certified copy of which is ready here in Court to be produced, an important part of the relevant prior art hereinbefore set forth was overlooked; that the Commissioner of Patents therefore exceeded his legal authority in granting said reissue letters patent and that the said reissue letters patent is therefore invalid and void.

XI.

Upon information, advice and belief, the Defendant avers that the said reissue letters patent No. 20,024 was and is invalid and void in that the alleged inventor in the application for the said reissue letters patent failed to particularly point out and to specifically and distinctly claim the part or parts of his alleged invention which were new, and to distinguish between what is old and what is claimed to be new and to confine the claims specifically to the alleged improvements, and otherwise to define the alleged combinations that come within the meaning of Section 4888 of the Revised Statutes of the United States, or to claim a patenable combination, the claims of said reissue letters patent [48] being for an aggregation or for an incomplete combination.

XII.

Upon information, advice and belief, the Defendant avers that the said reissue letters patent No. 20,024, is, by reason of limitations introduced therein during the prosecution of the application therefor and the application for the said original

letters patent No. 1,958,409 in the United States Patent Office, so limited and confined that claims 5 to 17, inclusive, of the said reissue letters patent cannot now be interpreted to cover any device or apparatus which the Defendant manufactures, sells or uses.

XIII.

Upon information and belief, the defendant avers that the said alleged improvements and invention purporting to be covered by said reissue patent No. 20,024 and all material and substantial parts thereof were, prior to the date of alleged invention or discovery thereof by the said patentee, known to or used by others at the following places and by the following named persons, to wit:

Name	Place of Prior Use.
Lester M. Sawin	Chicago, Illinois

and by others now unknown by the Defendant but, when known, it prays leave to insert in this answer by proper amendment.

XIV.

Upon information, advice and belief, the Defendant avers that the said reissue letters patent No. 20,024, and particularly claims 5 to 17 inclusive, thereof, were and are invalid and void in that the invention claimed therein is substantially different from any indicated, suggested, or described in the application for original patent No. 1,958,409 of which patent No. 20,024 is a reissue. [49]

XV.

Upon information, advice and belief, the Defendant avers that the said reissue letters patent No. 20,024 was and is invalid and void in that the said original letters patent No. 1,958,409 was surrendered and reissued in the absence of statutory foundation therefor.

XVI.

Upon information, advice and belief, the Defendant avers that claims 5 to 17, inclusive, and each of them, of the said reissue letters patent No. 20,024 were and are invalid and void in that said claims cover a different invention from any which the original patent No. 1,958,409 shows was intended to be secured thereby.

XVII.

Upon information, advice and belief, the Defendant avers that, prior to the date of application for said reissue letters patent No. 20,024, Defendant, with full knowledge of said original letters patent No. 1,958,409 and the scope of the claims thereof, and relying on the omission of the said original patent No. 1,958,409 to claim the invention now embraced in claims 5 to 17, inclusive, of the said reissue letters patent, publicly used the device now complained of; that the plaintiff is therefore estopped from enforcing any right of action against the Defendant alleged in the Bill of Complaint to exist, and that the Defendant has acquired the right to make, use or sell such devices, in the en-

joyment of which right in equity the Defendant should not now be disturbed.

XVIII.

Upon information, advice and belief, the Defendant avers that the said reissue letters patent No. 20,024 was and is invalid and void in that the claims of the said reissue letters patent are broader than those of the said original [50] letters patent, and that the said reissue letters patent was not applied for until an unreasonably long time had elapsed after the original was granted.

Wherefore, the Defendant prays that the Bill of Complaint be dismissed, and that reasonable costs and charges incurred by the Defendant be taxed against the Plaintiff, and that the Defendant may have such other and further relief as the circumstances may require.

SONTAG CHAIN STORES CO., LTD.
By TOWNSEND & HACKLEY
CHAS. E. TOWNSEND
ROY C. HACKLEY, JR.
Solicitors for Defendant.

PARKER, CARLSON, PITZNER & HUBBARD
Of Counsel for Defendant.

Receipt of copy of Defendant's Answer hereby admitted this 23rd day of March, 1937.

CHARLES S. EVANS
HUGH N. ORR
Attorneys for Plaintiff.

[Endorsed]: Filed Mar. 23, 1937. [51]

[Title of District Court and Cause—In Equity No. 4133-S.]

AMENDMENT TO ANSWER OF DEFENDANT FILED BY LEAVE OF COURT.

Now comes the defendant above named, and, by leave of Court first had and obtained, files this amendment to its answer to the Bill of Complaint herein, as follows:

I.

By adding to paragraph XIII, page 9, at the end of the column wherein the names of prior users have been set forth in said answer, the following:

Name	Residence
Eugene Martinec	848 East 129th Street Cleveland, Ohio
Arthur Collier	1269 East 115th Street Cleveland, Ohio
William W. Kelly	755 Carnegie Avenue Cleveland, Ohio
A. G. Heitman	c/o Susu Nut Co., 421 E. Illinois Street Chicago, Illinois
R. S. Harden	c/o Birtman Electric Co. 4140 Fullerton Ave., Chicago, Illinois
Joe Schwarz	c/o Birtman Electric Co. 4140 Fullerton Ave., Chicago, Illinois

John Schubert c/o Birtman Electric Co.
4140 Fullerton Ave.,
Chicago, Illinois

Herbert S. Frankell c/o Birtman Electric Co.
4140 Fullerton Ave.,
Chicago, Illinois

Dated, San Francisco, California, October 14, 1937.

CHAS. E. TOWNSEND
ROY C. HACKLEY JR
Attorneys for Defendant

[Endorsed]: Filed Oct 18, 1937. [52]

[Title of District Court and Cause—In Equity No. 3941-S.]

PLAINTIFF'S INTERROGATORIES

Now comes the Plaintiff above named, and pursuant to Equity Rule 58, propounds the following Interrogatories for the discovery of facts and documents material to the support of plaintiff's cause.

1. When did you first learn of letters patent [53] No. 1958,409 referred to in the bill of complaint in this suit?

2. When did you first learn of design letters patent No. 89,347 referred to in the bill of complaint in this suit?

3. Were you at any time prior to the filing of the bill of complaint herein, notified in writing to

cease infringement of the claims of letters patent No. 1958,409?

4. Were you at any time prior to the filing of the bill of complaint herein, notified in writing to cease infringement of the claim of design letters patent No. 89,347?

5. If your answer to Interrogatory 3 is in the affirmative, produce any and every such notice and state the date of receipt thereof by you.

6. If your answer to Interrogatory 4 is in the affirmative, produce any and every such notice and state the date of receipt thereof by you.

7. Subsequent to May 15, 1934, and prior to the commencement of this suit, did you, within the Northern District of California, or elsewhere, make any nut heating machine or machines comprising a base, a receptacle on the base for containing nuts, means within the base for rotating the receptacle, and an electrical heating element for heating nuts contained in the receptacle?

8. Subsequent to May 15, 1934 and prior to the commencement of this suit, did you, within the Northern District of California, or elsewhere, sell any nut heating machine or machines comprising a base, a receptacle on the base for containing nuts, means within the base for rotating the receptacle, and an electrical heating element for heating nuts contained in the receptacle. [54]

9. Subsequent to May 15, 1934 and prior to the commencement of this suit, did you, within the Northern District of California, or elsewhere, use

any nut heating machine or machines comprising a base, a receptacle on the base for containing nuts, means within the base for rotating the receptacle, and an electrical heating element for heating nuts contained in the receptacle?

10. If your answer to one or more of interrogatories 7, 8, and/or 9 is in the affirmative, as to each such affirmative answer, produce and file herein such pictorial illustrations as will clearly show the outward appearance of the front, side, and back of each and every nut heating machine so made, and/or sold, and/or used by you.

11. If your answer to one or more of interrogatories 7, 8, and/or 9 is in the affirmative, as to each such affirmative answer, produce and file herein such drawings and/or prints as will clearly illustrate the structure, arrangement, and mode of operation of each and all of the parts of each and every machine so made, sold, and/or used by you.

12. As to each and every machine referred to in interrogatories 7, 8, and 9, state where the same was made, and/or sold, and/or used by you within the period noted, stating the location of each place by reference to the name of the street and the number thereon, and the name of the city and state.

13. Did you, subsequent to May 15, 1934 and prior to the commencement of this suit, in the Northern District of California, or elsewhere use a nut heating machine of substantially the same appearance as the nut heating machine illustrated in the cut annexed hereto and marked Exhibit "A"? [55]

14. Did you, subsequent to May 15, 1934 and prior to the commencement of this suit, in the Northern District of California, or elsewhere use a nut heating machine of substantially the same construction as the nut heating machine illustrated, and described in the cut annexed hereto and marked marked Exhibit "A"?

15. Did you, subsequent to May 15, 1934 and prior to the commencement of this suit, in the Northern District of California, or elsewhere use a nut heating machine having substantially the same mode of operation as the nut heating machine illustrated and described in the cut annexed hereto and marked Exhibit "A"?

16. If your answers to Interrogatories 13 and/or 14, and/or 15 are affirmative, state with respect to each affirmative answer, the name of the street, the street number, and the name of the city and state where said machine was used.

17. If your answers to Interrogatories 13, and/or 14, and/or 15 are in the affirmative, state with respect to each affirmative answer, the date upon which the use of said machine was begun by you.

18. If your answers to Interrogatories 13, and/or 14 and/or 15 are in the affirmative, state with respect to each affirmative answer how long you continued the use of said machine following the first use thereof by you.

It is required that each and all of the foregoing Interrogatories be answered under oath by the defendant, Sontag Chain Stores Co., Ltd., a corpora-

tion, by its President and/or such other officer or officers of said corporation, and/or by such other party or parties in its employ or under its control as may have knowledge of the facts, and on its behalf.

Dated December 14th 1935.

CHARLES S. EVANS
HUGH N. ORR
BREED, BURPEE &
ROBINSON.
Solicitors and Counsel for Plaintiff.

[Endorsed]: Filed Dec 16, 1935. [56]

The New Royal Merry-Go-'Round Nut Toaster

by THE SUSU NUT CO.

SALES HEADQUARTERS:
CHICAGO, ILL.

NUTS SHIPPED FRESH FROM
BROOKLYN
SAN FRANCISCO
CHICAGO



FEATURES:

1—**Revolving 24-inch Pan** (Porcelain enamel) with 8 compartments with automatic start and stop; an attractive display featuring 4 kinds of Nuts in 28 inches of counter space.

2—**Display Tray** for Hot Nuts in bags, ready to sell.

3—**Neon Sign** spelling NUTS in living light.

4—**Overhead Toaster** to bring out the full toasted Nut flavor; no more stirring, causing broken Nuts or mushy Nuts; always a tasty, shiny product.

5—**Saves clerk hire.** This Toaster is self-operating; clerk can be busy at other duties while the Royal Merry-Go-'Round does the work.

6—**You can sell** either Toasted Salted Nuts, or add butter if you wish.

7—**Toasts Nuts—hot**, as fast as you can sell them; 600 pounds an hour and maintains your Nut business in every store all year 'round.

8—**Shipped ready to set up,** plug in, and operate on a regular light line.

DIMENSIONS:

28" wide, 27" deep, 18½" high.

Displays more Nuts with double action than can be shown in twice the counter space.

Overhead Toaster and Process and Equipment covered by U. S. Patents 1982073, 1908059 and Patents Pending. Also covered by Canadian Patents, and Patents Pending.

The New SUSU ROYAL MERRY-GO-ROUND NUT TOASTER

is the final development in perfect toasting of Nuts in the store

—Since 1931, when Nut toasting in the store (right before the very eyes of your customers) started as an infant—with an ordinary frying pan—progress has been continuous, until today, in the Royal Merry-Go-Round, you have the final answer to every requirement for merchandising Fresh Toasted Nuts.

This New Nut Toasting Unit incorporates four new principles:—

1. The 24-inch diameter (porcelain enamel) Revolving Display Pan—the biggest ever made—which gives you volume display of four kinds of Nuts in a case 28 inches in length—more than doubles the value of every inch of counter space.

2. The principle of the Overhead Toaster (U. S. Patent No. 1982073) actually Toasts the Nuts—Hot—Crisp—Shiny—as fast as you can sell them (60 pounds an hour if you need them) without burning—a quality and a quantity of Toasting never obtainable before—without stirring the Nuts, causing breakage or making them "mushy." It is important to understand the difference between Toasting Nuts and merely heating. Heating Nuts, like heating a steak, destroys Nut flavor. Toasting, like broiling, emphasizes that delicious Toasted Nut flavor.

3. The combination of the large, Revolving 4-compartment Porcelain Enameled Pan and the Neon Sign, gives you a new kind of action plus attraction that creates the desire to buy, insuring for you (as tests have demonstrated) a sales increase of 50% more than produced by any other method of Nut Display.

4. New economies of operation. This new unit not only doubles the value of your rental space; but, at High heat, for volume selling stores, consumes only 935 watts on constant High heat (at cost of 3 cents and a fraction per hour) or as little as a cent and a half, on Low heat as used in the smaller stores. And because this new unit is self-operating, the clerk can be busy at other duties while the Royal Merry-Go-Round does the work. It saves payroll.

—This new Nut Toasting equipment is finished in white throughout, with red lettering and a red Neon Sign. Porcelain Enameled Revolving Pan, 24 inches in diameter. Baked Enamel Tray for display of Trial Bags filled with hot Nuts. Hardware parts of Stainless Steel. Hand Rail Arm-rest is Chromium plated. All projected wiring. Motor is self-starting and self-stopping without turning a switch (a new engineering principle, Patent Applied For). Revolving Pan is slow motion—with nine inches of working space back of the Overhead Toaster, which is completely insulated—eliminating all risk of burning fingers.

This New Merry-Go-Round Nut Toaster completes the Susu program to bring you the latest and best in Nut Toasting Equipment—PLUS—SUSU Nuts, specially prepared for Toasting (U. S. Patent No. 1908059) so that when you turn on the heat every morning, you know the Nuts will come up shiny—and fresh—and crisp. In addition, on every case of Susu Nuts you have the protection of the license to Toast or Butter Toast under the Process Patent (U. S. No. 1872156).

With this new unit in your store, you are all set to take over the Nut Business in your neighborhood—bringing with it, not only fine Nut profits, but also benefit to other departments by attracting customers to the store.

Susu Royal Merry-Go-Round Nut Toasters are shipped from our plant at
421 East Illinois Street, Chicago, Illinois

East service on quality Nuts—produced on the day of shipment—from the following plants:

The Susu Nut Co.	421 E. Illinois St.	Chicago, Ill.
or	33 35th Street	Brooklyn, N. Y.
or	50 Japan Street	San Francisco, Cal.
or	212 E. 22nd Street	Norfolk Va. (Peanuts only)

Sales Headquarters:
421 East Illinois Street, Chicago, Illinois

COPYRIGHT 1935 - THE SUSU NUT CO

J. F. Wheeler
President

The New SUSU ROYAL MERRY-GO-'ROUND NUT TOASTER

is the final development in perfect toasting of Nuts in the store

—Since 1931, when Nut toasting in the store (right before the very eyes of your customers) started as an infant—with an ordinary frying pan—progress has been continuous, until today, in the Royal Merry-Go-'Round, you have the final answer to every requirement for merchandising Fresh Toasted Nuts.

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2. The principle of the Overhead Toaster (U. S. Patent No. 1982073) actually Toasts the Nuts—Hot—Crisp—Shiny—as fast as you can sell them (60 pounds an hour if you need them) without burning—a quality and a quantity of Toasting never obtainable before—without stirring the Nuts, causing breakage or making them "mushy." It is important to understand the difference between Toasting Nuts and merely heating. Heating Nuts, like heating a steak, destroys Nut flavor—Toasting, like broiling, emphasizes that delicious Toasted Nut flavor.

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4. New economies of operation. This new unit not only doubles the value of your rental space; but, at High heat, for volume selling stores, consumes only 935 watts on constant High heat (at cost of 3 cents and a fraction per hour) or as little as a cent and a half, on Low heat as used in the smaller stores. And—because this new unit is self-operating, the clerk can be busy at other duties while the Royal Merry-Go-'Round does the work. It saves payroll.

—This new Nut Toasting equipment is finished in white throughout, with red lettering and a red Neon Sign. Porcelain Enameled Revolving Pan, 24 inches in diameter, Baked Enamel Tray for display of Trial Bags filled with hot Nuts. Hardware parts of Stainless Steel. Hand Rail Arm-rest is Chromium plated. All protected wiring. Motor is self-starting and self-stopping without turning a switch (a new engineering principle, Patent Applied For). Revolving Pan is slow motion—with nine inches of working space back of the Overhead Toaster, which is completely insulated—eliminating all risk of burning fingers.

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With this new unit in your store, you are all set to take over the Nut Business in your neighborhood—bringing with it, not only fine Nut profits, but also benefit to other departments by attracting customers to the store.

Susu Royal Merry-Go-'Round Nut Toasters are shipped from our plant at 421 East Illinois Street, Chicago, Illinois

Fast service on quality Nuts—produced on the day of shipment—from the following plants

The Susu Nut Co.—421 E. Illinois St., Chicago, Ill.
or 33—35th Street, Brooklyn, N. Y.
or—50 Japan St., San Francisco, Cal.
or 212 E. 22nd Street, Norfolk, Va. (Peanuts only)

Sales Headquarters: 421 East Illinois Street, Chicago, Illinois.

J. F. URBANCK
President

Copyright 1935—The Susu Nut Co.

[Title of District Court and Cause—In Equity No. 3941-S.]

ANSWERS AND OBJECTIONS TO PLAINTIFF'S INTERROGATORIES.

1. The defendant objects to Interrogatory 1 on the ground that it is irrelevant and immaterial at final hearing, particularly in view of the answer to Interrogatory 3.

2. Defendant objects to Interrogatory 2 on the ground that it is irrelevant and immaterial at final hearing, particularly in view of the answer to Interrogatory 4.

3. Defendant answers Interrogatory 3 in the affirmative.

4. Defendant answers Interrogatory 4 in the affirmative.

5. Defendant objects to Interrogatory 5 on the following grounds: If the plaintiff gave the defendant any such notice, the contents of that notice (and of all such notices, if more than one was given) are known to the plaintiff. If the plaintiff desires to know whether the defendant received any such notice or notices, the plaintiff should set out the notice or notices and interrogate the defendant as to whether the notice or notices so set out were received by the defendant, and, if so, when they were received. However, defendant states, on information and belief, that a letter reading as follows was received by the defendant on or about October 9, 1935:

"(Letterhead of National Nut Company)

Oakland, California
October 8, 1935

Sontag Chain Stores Co., Ltd.
2678-2682 Mission Street
San Francisco, California.

Gentlemen:

We take this means of informing you that your use of "The Susu Royal Merry-Go-'Round Nuf Toaster," constitutes an infringement of U. S. Letters Patent No. 1958409, dated May 15, 1934, and U. S. Design Patent No. 89,347, dated February 28, 1935, [57] both owned by this company.

You are directed to discontinue such infringement, in addition to which we request that you pay to us the sums of money provided by law in such cases, namely $250.00, as penalty, and all profits realized by you on the use of said machine in excess of the sum of $250.00, trebled.

We trust that such payment, together with an accounting showing the computation of such profits will be made to us at the above address within ten (10) days after receipt of this notice by you, as it will otherwise be nec-

essary for us to institute suit to protect and enforce our rights.

Yours very truly,
NATIONAL NUT COMPANY,
(Signed) W. D. LOVE,
President.

cc. Sontag Chain Stores Co., Ltd.
1925 East Ninth Street
Los Angeles, California."
Registered

Defendant further states that it is unable at this time to produce the original of the letter received by defendant on or about October 9, 1935.

Defendant further states that it is not informed as to whether the letter set forth above was received from the plaintiff, to wit, National Nut Company of California, or from the grantee of said patents No. 1,958,409 and Des. No. 89,347 to wit, The National Nut Company.

6. Defendant objects to Interrogatory 6 on the grounds stated in connection with Interrogatory 5.

7. Defendant answers Interrogatory 7 in the negative.

8. Defendant answers Interrogatory 8 in the negative.

9. Defendant answers Interrogatory 9 in the affirmative.

10. In answer to Interrogatory 10, defendant produces and attaches hereto two photostats containing Figures, 1, 2, 3 and 4.

11. In answer to Interrogatory 11, defendant refers to the before-mentioned two photostats and states that they [58] illustrate the structure, arrangement and mode of operation of the parts of each and every machine so used by defendant.

12. In answer to Interrogatory 12, defendant states that each and every machine referred to in the answer to Interrogatory 9 was used by defendant within the period noted, within the Northern District of California, in the Southern Division thereof. Defendant objects to answering Interrogatory 12 more particularly, inasmuch as the name of the street and the number thereon and the name of the city are irrelevant and immaterial at final hearing.

13. Defendant answers Interrogatory 13 in the affirmative.

14. Defendant answers Interrogatory 14 in the affirmative.

15. Defendant answers Interrogatory 15 in the affirmative.

16. Defendant objects to answering Interrogatory 16, since such interrogatory is irrelevant and immaterial at final hearing, particularly in view of the answer to Interrogatory 12.

17. Defendant objects to answering Interrogatory 17, but states that such use was begun by the defendant prior to the commencement of this suit. Any further answer to Interrogatory 17 would be irrelevant and immaterial at final hearing and could be relevant and material only upon an accounting.

18. Defendant objects to answering Interrogatory 18 on the ground that it is irrelevant and immaterial at final hearing. The information called for by Interrogatory 18 could be relevant and material only on an accounting.

SONTAG CHAIN STORES CO., LTD.,
By MORRIS SONTAG,
Pres.
GEORGE L. CHINDAHL,
PARKER, CARLSON, PITZNER & HUBBARD,
LYON & LYON,
FREDERICK S. LYON,
Solicitors and of Counsel for Defendant. [59]

State of California
County of Los Angeles—ss.

Morris Sontag, being duly sworn, deposes and states that he is President of the defendant, Sontag Chain Stores Co., Ltd.; that he has read the foregoing answers to interrogatories; and that said answers are true to the best of his knowledge and belief.

MORRIS SONTAG.

Subscribed and sworn to before me this 11 day of January, 1936.

[Seal] EUGENE N. FRANKENBERGER
Notary Public.

My commission expires June 26, 1938.

[Endorsed]: Filed Jan. 13, 1936. [60]

Fig. 1.

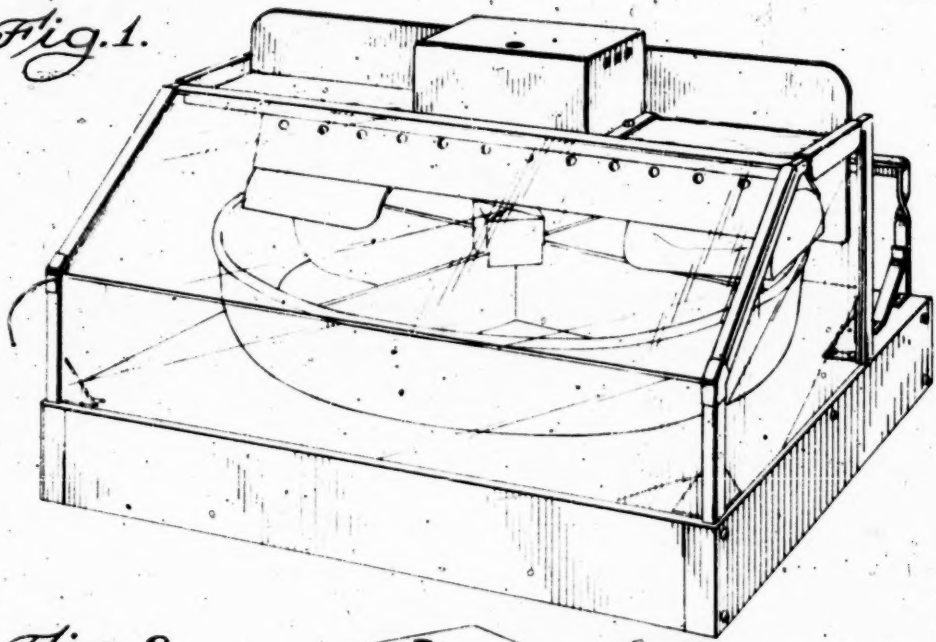
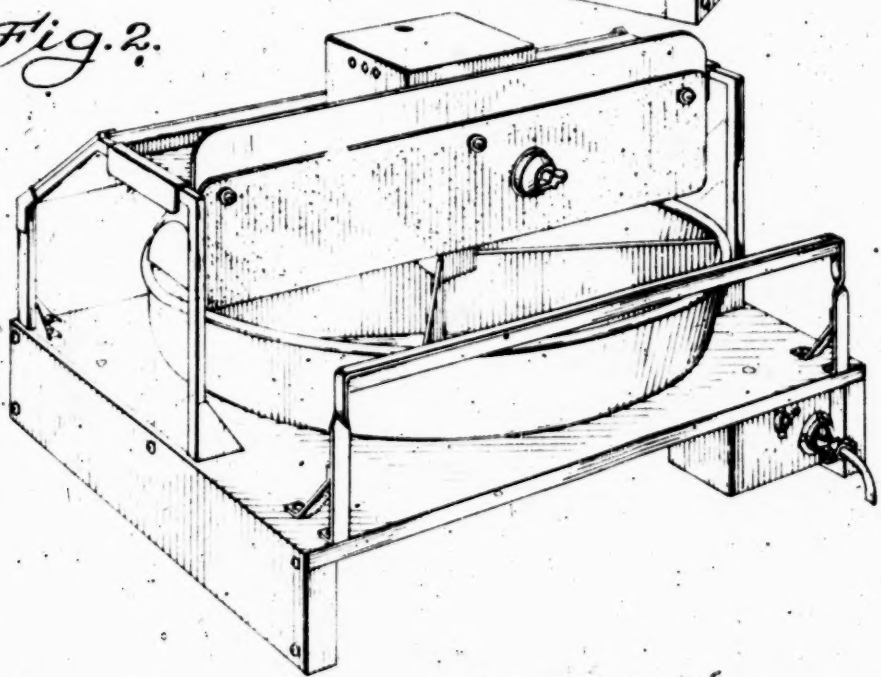


Fig. 2.



Inventor;
Charles Ralph Anderso
BY
[illegible] Carlson Peterson & Hubba
Attorneys

Fig. 3.

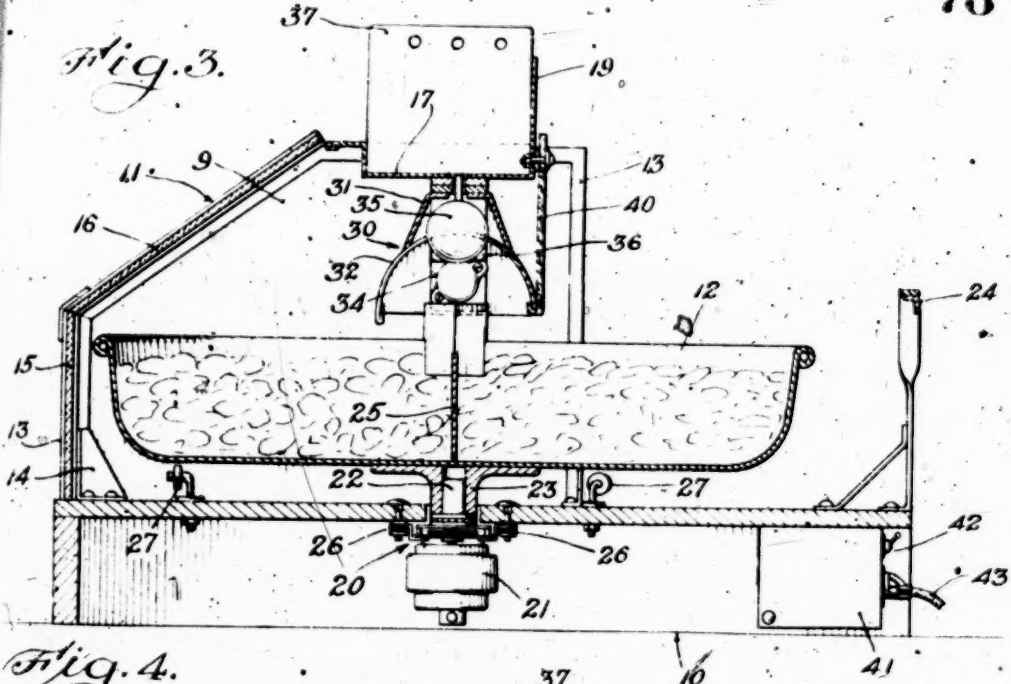
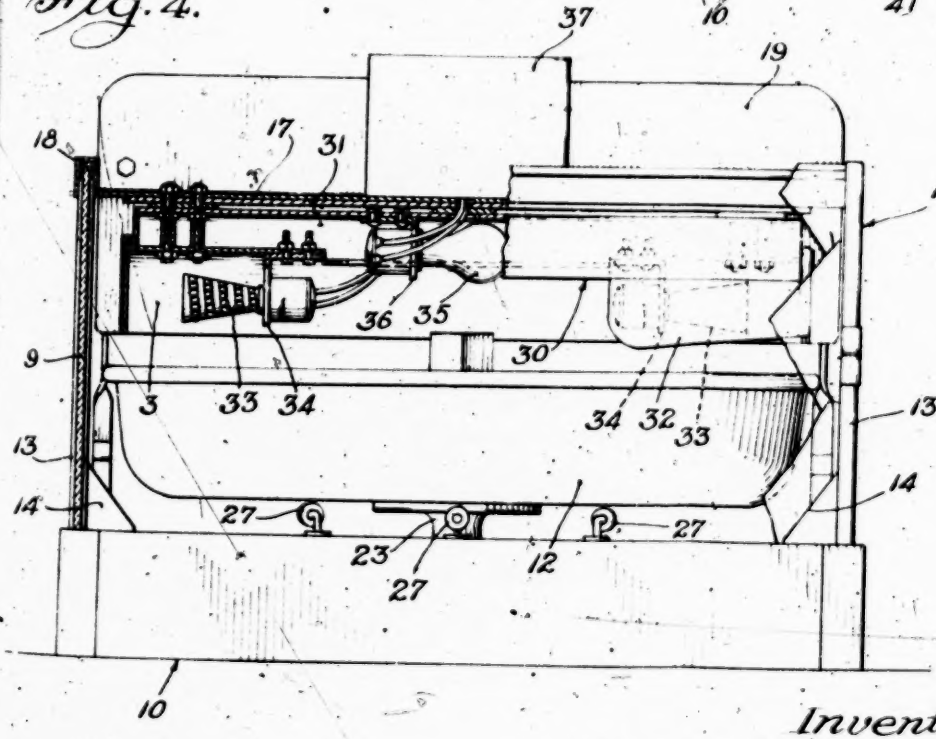


Fig. 4.



Inventor;
Charles Ralph Anderson
BY
Parker Carlson Pelzer & Hollar
Attorneys.

[Title of District Court and Cause—In Equity No. 3941-S]

DEFENDANT'S ANSWERS TO PLAINTIFF'S INTERROGATORIES 1, 2, 5, 6, 12, 16, 17 AND 18.

Comes Now defendant and makes the following answers to Plaintiff's Interrogatories respectively numbered as follows:

1 and 2

Defendant learned of said Letters Patent No. 1,958,409 and Design Letters Patent No. 89,347 on or about October 9, 1935.

5 and 6.

On or about October 9, 1935, defendant received a letter on the letterhead of National Nut Company, as follows:

"Oakland, California,
October 8, 1935

"Sontag Chain Stores, Co., Ltd.
2678-2682 Mission Street
San Francisco, California

Gentlemen:

We take this means of informing you that your use of "The Susu Royal Merry-Go-'Round Nut Toaster" constitutes an infringement of U. S. Letters Patent No. 1,958,409, dated May 15, 1934, and U. S. Design Patent No. 89,347, dated

February 28, 1935, both owned by this company.

You are directed to discontinue such infringement, in addition to which we request that you pay to us the sums of money provided by law in such cases, namely $250.00, as penalty, and all profits realized by you on the use of said machine in excess of the sum of $250.00, trebled.

We trust that such payment, together with an accounting showing the computation of such profits will be made to us at the above address within ten (10) days after receipt of this notice by you, as it will otherwise be necessary for us to institute suit to protect and enforce our rights.

Yours very truly,
NATIONAL NUT COMPANY,
(Signed) W. D. LOVE,
President.

c. c. Sontag Chain Stores Co., Ltd.
1925 East Ninth Street,
Los Angeles, California" [61]

Defendant is unable to produce said letter. The original of said letter was forwarded by defendant to the Susu Nut Company at Chicago, Illinois, the manufacturer of the machine in question. The Susu Nut Company informs defendant that after diligent search it has been unable to locate the said letter.

Defendant has not said letter in its possession and is unable to produce it.

Defendant is unable to produce any other notice in writing from plaintiff or on behalf of plaintiff respecting or demanding that defendant cease infringement of either of said Letters Patent. Except as set forth in said letter dated October 8, 1935; defendant has received no notice in writing to cease infringement of said Design Letters Patent.

12 and 16.

The Susu Nut Company of Chicago, Illinois, informs defendant that on March 18, 1935, they shipped one nut heating machine to defendant, Sontag Chain Stores Co., Ltd. at 274 Brannan Street, San Francisco; that they have not furnished any other of such machines to defendant so far as their records show. The machine in question is known as "The Royal Merry-Go-'Round Nut Toaster." Defendant has not made or sold any such machine or machines. It has used only one such machine within the period noted at its store located at 2678 Mission Street in San Francisco, Cal.

17 and 18

Answering Interrogatories 17 and 18, defendant is unable to give the exact date when "The Royal Merry-Go-'Round Nut Toaster", referred to in defendant's answers to Interrogatories 12 and 16, was first used, but it was some time after its shipment to defendant from Chicago on March 18, 1935, and

probably on or about April 1, 1935. The defendant has continued to use said machine since on or about April 1, 1935. [62]

SONTAG CHAIN STORES CO., LTD.,

[Seal] By D. E. ALBERT,

Vice-President and Secretary.

GEORGE L. CHINDAHL,
PARKER, CARLSON, PITZNER & HUBBARD,
LYON & LYON,
FREDERICK S. LYON,

Solicitors and Counsel for Defendant.

State of California
County of Los Angeles—ss.

D. E. Albert, being duly sworn, deposes and states that he is Vice President and Secretary of the defendant, Sontag Chain Stores Co., Ltd.; that he has read the foregoing answers to Plaintiff's Interrogatories Nos. 1, 2, 5, 6, 12, 16, 17 and 18, and that said answers are true to the best of his knowledge and belief.

[Seal] D. E. ALBERT.

Subscribed and sworn to before me this 15th day of May, 1936.

[Seal] HANNAH WATERMAN,
Notary Public in and for said County and State.

My Commission expires 7/11/39

[Endorsed]: Filed May 16, 1936. [63]

[Title of District Court and Cause—In Equity No. 4133-S.

DEFENDANT'S INTERROGATORIES

Now comes defendant, and having first obtained leave of this Honorable Court, and pursuant to Equity Rule 58, files the following interrogatories for discovery of facts material to defendant's cause and to be answered under oath by W. D. Love, President of plaintiff corporation; said interrogatories being as follows:

(1) State what records of the National Nut Company of California were examined by the said W. D. Love as alleged in his affidavit executed April 24, 1936 and filed in the United States Patent Office in the application for the reissue patent in the suit.

(2) State what matter contained in said records enabled him to ascertain that the machine referred to in the affidavit was completed prior to March 23, 1932.

(3) State what matter contained in said records enabled him to ascertain that the machine referred to in the affidavit was successfully used prior to March 23, 1932.

(4) State whether said records are still in existence and are available for production in Court.

(5) State when Michael J. Kohler designed for the plaintiff the machine disclosed in the patent in suit.

(6) State when the full-sized machine referred to in said affidavit was built and completed.

(7) State when the said machine was delivered to the Kress store located at Broadway and 14th Street, Oakland, California as alleged in said affidavit.

Dated at San Francisco, California, this 9th day of August, 1937.

SONTAG CHAIN STORES CO., LTD.,
A Corporation, Defendant.
By CHAS. E. TOWNSEND,
ROY C. HACKLEY, JR.,
Its Attorneys.

[Endorsed]: Filed Aug. 10, 1937. [64]

[Title of District Court and Cause.—No. 4133-S]

ANSWERS TO DEFENDANT'S INTERROGATORIES

Pursuant to the order of this Court dated August 9, 1937, W. D. Love, President of the plaintiff corporation above named, answers under oath the Interrogatories heretofore propounded by the defendant in the above entitled action, as follows:

Answer to Interrogatory 1.

All of the records of National Nut Company of California.

Answer to Interrogatory 2.

The dates of various letters, price quotations, and invoices. [65]

Answer to Interrogatory 3.

The dates of various letters, price quotations, and invoices.

Answer to Interrogatory 4.

Yes.

Answer to Interrogatory 5.

On information and belief, the machine referred to was designed during the period from the latter part of September 1931, to the early part of February 1932.

Answer to Interrogatory 6.

On information and belief, the machine referred to was completed during the week immediately preceding February 20, 1932, and was built during the period of about two months immediately preceding its completion.

Answer to Interrogatory 7.

Within a few days after February 20, 1932.

W. D. LOVE [66]

Verification

State of California /
County of Alameda—ss.

W. D. Love, being first duly sworn, deposes and says:

I am President of National Nut Company of California, the plaintiff above named; I have read the foregoing answers to defendant's Interrogatories

and know the contents thereof, and the same are true of my own knowledge except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

W. D. LOVE.

Subscribed and Sworn to before me this 28 day of Sept. 1937.

[Seal] H. L. BREED,
Notary Public in and for the County of Alameda, State of California.

Receipt of a copy of the foregoing Answers to Defendant's Interrogatories acknowledged this 29th day of September, 1937.

CHAS. E. TOWNSEND,
ROY C. HACKLEY, JR.,
Attorneys for Defendant.

[Endorsed]: Filed Sept. 30, 1937. [67]

[Title of District Court and Cause.—No. 4133-S]

STIPULATION TO CONSOLIDATE CAUSES FOR TRIAL

Whereas the above entitled cause involves alleged infringement of certain claims of Plaintiff's Reissue patent No. 20024 by reason of the acts of Defendant complained of in Plaintiff's bill of complaint; and

Whereas another suit, brought by Plaintiff against Defendant, entitled National Nut Company of California vs. Sontag Chain Stores Co., Ltd., No. 3941-S, involves alleged infringement of other claims of Plaintiff's said Reissue patent, reproduced therein from Plaintiff's original patent No. 1958,409, which patent [68] has been reissued as Reissue patent No. 20024; and also alleged infringement of Plaintiff's Design patent No. 89,348; and

Whereas, the parties, and the acts of Defendant complained of by Plaintiff, are the same in both suits; and the evidence to be presented in connection with the issues in the two suits will be closely related, and, to large extent, will be the same in both suits; and

Whereas it is believed the two suits may properly and advantageously be consolidated and tried together, and the issues therein determined in the course of a single trial, with material saving of time both for the Court and for the parties;

It Is Hereby Stipulated by and between the parties, subject to the approval of the Court, that the above entitled cause No. 4133-S, and said suit No. 3941-S, may and shall be consolidated and tried together; and that all evidence introduced by the respective parties, and all pleadings and other documents included in the record of other suit, in so far as the same may be competent, relevant and material, and subject to all proper objections duly noted, may and shall be admitted, and shall be given the same force and effect, in both suits.

Dated: October 16th, 1937.

CHARLES S. EVANS,
HUGH N. ORR,
Attorneys for Plaintiff.
TOWNSEND & HACKLEY,
CHAS. E. TOWNSEND,
ROY C. HACKLEY, JR.,
Attorneys for Defendant.

Approved: Oct. 18, 1937
A. F. ST. SURE,
Judge of the U. S. District Court.

[Endorsed]: Filed Oct. 18, 1937. [69]

[Title of District Court and Cause—No. 3941-S.]

STATEMENT OF CLAIMS RELIED UPON BY PLAINTIFF

Notice is hereby given that, at the trial of the above entitled action, plaintiff will rely only upon Design Patent No. 89,347, and the claim thereof; and will not rely upon claims 1, 2, 3 and 4 of Reissue Patent No. 20,024, or any of them.

Dated: January 17, 1938.

CHARLES S. EVANS,
HUGH N. ORR,
Attorneys for Plaintiff.

Receipt of a copy of the foregoing statement upon January 17, 1938, at the hour of 11:53 A. M., is hereby acknowledged.

CHAS. E. TOWNSEND,
ROY C. HACKLEY, JR.,
Attorneys for Defendant.

[Endorsed]: Filed Jan. 17, 1938. [70]

[Title of District Court and Cause—No. 4133-S.]

STATEMENT OF CLAIMS RELIED UPON BY PLAINTIFF

Notice is hereby given that, at the trial of the above entitled action, plaintiff will rely only upon claims 6, 8, 9, 10, 11, 13, 14, 15 and 17 of Reissue Patent No. 20,024.

Dated: January 17, 1938.

CHARLES S. EVANS,
HUGH N. ORR,
Attorneys for Plaintiff.

Receipt of a copy of the foregoing statement upon January 17, 1938, at the hour of 11:53 A. M., is hereby acknowledged.

CHARLES S. TOWNSEND,
ROY C. HACKLEY, JR.,
Attorneys for Defendant.

[Endorsed]: Filed Jan. 17, 1938. [71]

[Title of District Court and Cause—Nos. 3941-S and 4133-S.]

ORDER

Separate suits were brought against the defendant for infringement of (1) Kohler, Design patent No. 89,347; and (2) Kohler, Reissue patent No. 20,024, which is a reissue of original patent No. 1,958,409. The suits were consolidated for purposes of trial.

Upon the trial the suits were submitted by stipulation upon two issues:

(1) Did the acts of defendant complained of constitute an infringement of the Kohler design patent No. 89,347?

(2) Did defendant acquire intervening rights with respect to reissue patent No. 20,024 which, in equity, [72] plaintiff may not now disturb?

I find upon both issues in both cases in favor of the defendant.

It is therefore Ordered that plaintiff's bills of complaint, and each of them, be and they are hereby Dismissed with costs to the defendant.

Counsel for defendant may submit findings of fact and conclusions of law in accordance with Rule #42.

Dated: May 9, 1938.

A. F. ST. SURE.
United States District Judge.

[Endorsed]: Filed May 9, 1938. [73]

[Title of District Court and Cause—Nos. 3941-S and 4133-S. [74]

FINDINGS OF FACT AND CONCLUSIONS OF LAW PURSUANT TO RULE 42 OF THIS COURT

These causes having been consolidated for purposes of trial and having come on to be heard on January 25, 1938, before the Honorable Judge St. Sure on issues joined, and having been brought to a final hearing upon the pleadings and proofs adduced by both parties, and counsel for the respective parties having been heard and having submitted briefs, and after due consideration, the court, having found for the defendant, makes the following findings of fact and conclusions of law:

Findings of Fact

(1) That plaintiff is a corporation organized and existing under and by virtue of the laws of the State of California, and having its principal place of business in the City of Oakland, County of Alameda, State of California.

(2) That defendant is a corporation organized and existing under and by virtue of the laws of the State of Delaware, and having a regular and established place of business in the City and County of San Francisco, State of California, within the Northern District of California.

(3) That plaintiff is now, and has been since their issuance, the owner, by assignment, of United States Design Letters Patent No. D-89,347

and of United States Reissue Letters Patent No. 20,024, which is a reissue of original Letters Patent No. 1,958,409, and was the owner from its issuance until surrender thereof of said original Letters Patent.

(4) That plaintiff commenced suit No. 3941-S on October 19, 1935, for infringement of the aforesaid Design Letters Patent No. D-89,347, issued February 28, 1933, and original Letters Patent No. 1,958,409, issued to the plain- [75] tiff on May 15, 1934.

(5) That the defendant was at the time of filing suit, and still is, a retail merchandizing corporation and was charged by plaintiff to infringe both of said Letters Patent by virtue of the use of the device exemplified by plaintiff's Exhibit 10.

(6) That the device used by defendant and exemplified by plaintiff's Exhibit 10 was manufactured by the Susu Nut Co., of Chicago, Illinois, which latter company controlled and directed the defense of this suit.

(7) That defendant acquired its machine claimed to infringe prior to April 1, 1935, and was using said machine in this district at the time the original suit (Equity No. 3941-S) was brought (defendant's answer to plaintiff's interrogatories sworn to May 15, 1936, page 3).

(8) That plaintiff by its letter of October 8, 1935 notified defendant claiming infringement of original patent No. 1,958,409 (defendant's answers to plaintiff's interrogatories, supra).

9. That following the filing of said Bill of Complaint on October 19, 1935, plaintiff filed interrogatories pursuant to Equity Rule 58, asking, among other things, if defendant had made, sold or used, "subsequent to May 15, 1934, and prior to the commencement of this suit, * * * * any nut heating machine or machines comprising a base, a receptable on the base for containing nuts, means within the base for rotating the receptacle, and an electrical heating element for heating nuts contained in the receptacle" (Plaintiff's interrogatories 7, 8, and 9).

That attached to those interrogatories of plaintiff was a circular marked "Exhibit A" illustrating "The New Royal Merry-Go-'Round Nut Toaster" which illustrates defen- [76] dant's device and which defendant had purchased and put into use about April 1, 1935, as above stated.

(10). That on January 11, 1936, defendant furnished drawings of its machine such as it has been using continuously since April 1, 1935; that defendant admitted that its machine was illustrated in the circular "The New Royal Merry-Go-Round Nut Toaster"; and the defendant admitted that prior to the commencement of the suit Equity No. 3941-S (to-wit, October 19, 1935) and subsequent to the issuance of the original patent in suit (to-wit, May 15, 1934) it had put into use the machine shown in said "The New Royal Merry-Go-Round Nut Toaster" circular and shown in the drawings submitted by defendant.

(11) That immediately thereafter and on January 13, 1936, plaintiff caused an application for a reissue of said original patent No. 1,958,409 to be executed by plaintiff's assignor (just two days after the information inquired about in the interrogatories was furnished; (see certified copy of the file wrapper of Reissue patent No. 20,024).

(12) That immediately thereafter and on January 15, 1936, said reissue application was filed with altered specifications and expanded claims, most of which new claims were framed on the interrogatories and answers thereto, above referred to.

(13) That thereafter and on May 28, 1936, said reissue application was allowed.

(14) That thereafter and on June 30, 1936, said Reissue Patent here in suit No. 20,024 was issued.

(15) That meanwhile and on June 26, 1936, plaintiff moved in Case Equity No. 3941-S for leave to file an amended and supplemental Bill of Complaint to set up the Reissue Patent No. 20,024, not then issued. [77]

(16) That thereafter and on September 18, 1936, the Honorable Court made an order granting leave to file said amended and supplemental Bill of Complaint only as to re-asserting infringement of original claims 1-4, inclusive, and denying plaintiff's motion to bring in new claims 5-17, inclusive.

(17) That thereafter and on January 11, 1937, an amended and supplemental Bill of Complaint in case Equity No. 3941-S was filed, pursuant to the

order of September 18, 1936, aforesaid, and that subsequently issue was joined thereon.

(18) That on January 26, 1937, plaintiff commenced suit Equity No. 4133-S, above, for alleged infringement of claims 5-17, inclusive, of Reissue Letters Patent No. 20,024, issued to the plaintiff on June 30, 1936, as aforesaid, and that subsequently issue was joined thereon.

(19) That on motion of the defendant and pursuant to an order of this court dated January 14, 1938, plaintiff stated that at the trial of the two suits it would rely only on the said Design Letters Patent No. D-89,347 and on claims 6, 8, 9, 10, 11, 13, 14, 15 and 17 of the said Reissue Letters Patent No. 20,024, and would not rely upon claims 1, 2, 3 and 4 of the said Reissue Letters Patent, said claims 1, 2, 3 and 4 being all of the original claims of the original Letters Patent before the latter was surrendered for reissue.

(20) That upon the trial the suits were submitted by stipulation upon two issues:

"(1) Did the acts of defendant complained of constitute an infringement of the Kohler Design Patent No. D-89,437?

(2) Did defendant acquire intervening rights with respect to Reissue Letters Patent No. 20,024 which, in equity may not now disturb? [78]

(21) That thereafter and on May 9, 1938, this Honorable Court found both of said issues in both causes in favor of the defendant, with costs to the defendant.

Conclusions of Law

One: That defendant's acts complained of do not, and never did, constitute any infringement of the Kohler Design Letters Patent No. D-89,437 and that the Bill of Complaint as to that patent should be dismissed with prejudice.

Two: That the defendant acquired "intervening rights" with respect to said Reissue Letters Patent in suit No. 20,024, and as to that patent the Bill of Complaint should be dismissed with prejudice.

Third: That in view of the defense of "intervening rights" and the laches of the plaintiff, the court has not found it necessary to consider any of the other defenses presented on behalf of the defendant, as far as the Reissue Letters Patent is concerned.

Fourth: That the benefits of this Decree shall extend to and include the manufacturer of defendant's machine in question.

Fifth: That the defendant is entitled to costs.

A. F. ST. SURE,
United States District Judge.

Dated: May 24, 1938.

[Endorsed]: Lodged May 23, 1938. Filed May 24, 1938. [79]

In the United States District Court for the Northern District of California, Southern Division.

In Equity No. 3941-S

NATIONAL NUT COMPANY OF CALIFORNIA, a corporation,

Plaintiff,

vs.

SONTAG CHAIN STORES CO., LTD., a corporation,

Defendant.

In Equity No. 4133-S

NATIONAL NUT COMPANY OF CALIFORNIA, a corporation,

Plaintiff,

vs.

SONTAG CHAIN STORES CO., LTD., a corporation,

Defendant.

FINAL DECREE [80]

These causes came on to be heard at the final hearing on the pleadings and proofs of both parties, and were argued by counsel and submitted on briefs; thereupon, upon consideration thereof, it is Ordered, Adjudged and Decreed:

(1) That Design Letters Patent issued to Michael J. Kohler No. D-89,437, even if valid, has not been infringed by the defendant.

(2) That with respect to Kohler Reissue Letters Patent No. 20,024 in suit, this defendant and those in privity with it, including the manufacturer of the machine in question, acquired intervening rights which in equity plaintiff may not now disturb.

(3) That plaintiff's Bills of Complaint, and each of them, be and the same are dismissed with prejudice.

(4) That the defendant recover of the plaintiff costs and disbursements as taxed by the Clerk, and that defendant have execution against plaintiff therefor by this order.

Costs taxed at $34.85.

A. F. ST. SURE,
United States District Judge.

Dated: May 24, 1938.

Approved as to form:

.....
Attorneys for Plaintiff.

[Endorsed]: Lodged May 23, 1938. Filed and entered May 24, 1938. [81]

[Title of District Court and Cause—Nos. 3941-S and 4133-S.]

CONDENSED STATEMENT OF THE EVIDENCE UNDER RULE 75

Condensed statement of evidence had in open court the 25th day of January, 1938, before the Honorable Judge St. Sure:

Appearances—

Chas. S. Evans and Hugh N. Orr, both of San Francisco, California, for Plaintiff;

Chas. E. Townsend and Roy C. Hackley, Jr., both of San Francisco, California, and Lowell C. Noyes, of Chicago, Illinois, for Defendant.

Opening Statements by Counsel;

Mr. Orr: Your Honor, this is a suit in equity for infringement of patents. The plaintiff is the National Nut Company [82] of California, a corporation of the State of California, with its principal place of business in Oakland, California. The defendant is the Sontag Chain Stores, Ltd., which is a corporation of Delaware, and it has a regularly established place of business in the City of San Francisco.

Shortly after the filing of the original suit, patent No. 1,958,409 was surrendered and an application for re-issue was filed and granted. Following the re-issue the original bill of complaint was amended so as to set forth the facts in reference to the re-issue patent, and a new suit was filed alleging infringement of the new claims appearing in the re-

issue patent, so that there are now two suits pending before the Court, involving the same parties, and involving the same facts.

We have recently designated the claims upon which we will rely. We will rely only upon the claims of the re-issue patent, and will not rely upon claims 1, 2, 3 and 4 which were originally involved in the suit filed in connection with Patent No. 1,958,409 and subsequently amended to recite the re-issue patent. So that now the claims that we rely upon will be the claim of the design patent in suit, No. 3941-S, and the reissue claims in the second suit, No. 4133-S.

It is not the position of the plaintiff here in this case that it has broadly invented the theory or the process of warming nuts for sale. It is their position that they are the first to produce a practical machine by which these nuts can be heated in quantities sufficient to meet the needs of a small business establishment, so that they can be dispensed during the course of the day from the machine in which they are heated.

Defendant's counsel pointed out to the Court the defense of intervening rights as against the mechanical patent, and of [83] non-infringement of the design patent.

Mr. Orr: We will admit that the defendant used the machine before we applied for the re-issue.

Mr. Townsend: You knew about that at the time the re-issue was filed?

Mr. Orr: At the time the application was filed.

The Court: You interrupted Mr. Townsend when he was speaking about the design of the machine. Have you anything you wish to say in answer to that in the record?

Mr. Orr: In answer to that, I think they have adopted the essential dominant features of our design.

The Court: Where is the similarity between the defendant's device and the other device that I see upon this table?

Mr. Orr: A rectangular shape.

Mr. Orr: You will note the patent shows three pan designs. Here is the one-pan design, and there the two-pan design, and there is the three-pan machine. Putting one, two or three side by side accomplishes the same result, and whether they are made in one, or two, or three parts is immaterial. In this particular case they have adopted a base which is the same design. They have superimposed upon that the same circular pan.

The Court: I do not think there is anything in that. I cannot rule with you on that issue, at all. It may be that I will change my mind before the case is over. If that is all there is to the proposition of the design I would say the case should end right here. You may proceed with your case and any evidence you deem proper.

Testimony of W. D. Love, in Behalf of Plaintiff-Appellant.

W. D. LOVE,

being first duly sworn, testified as follows:

I live at 108 El Camino Real, Berkeley. I am president and general manager of the National Nut Company of California, [84] plaintiff in this action, which company is incorporated in the State of California, and has its place of business in Oakland, California.

I have been associated with that company since it started business in 1923. I started the business myself. In the period of 1931 and 1932 I was president and general manager, and had the chief part in the management of the company.

I am acquainted with Michael J. Kohler. He is and for several years has been secretary of the National Nut Company of California, and is manager of our New York factory. He has been connected with our company since 1923. He came to us as a cook and general mechanical man. In 1931 and 1932 he was assistant factory superintendent and secretary of the corporation. Design Patent No. 89,437 is a patent applied for by Michael J. Kohler at my request. Reissue Patent No. 20,024 was applied for by Mr. Kohler at my request.

(A copy of Design Patent No. 89,437, and a certified copy of the Patent Office file wrapper thereof were then introduced into evidence, as plaintiff's exhibits 1 and 2 respectively. A copy of Reissue Patent No. 20,024 and a certified

(Testimony of W. D. Love.)

copy of the Patent Office file wrapper thereof were introduced into evidence as plaintiff's exhibits 3 and 4 respectively. Also certified copies of assignments dated October 22, 1932 and January 3, 1936 were introduced into evidence as exhibits 5 and 6 respectively.)

Mr. Love: Our company is referred to and has been referred to under the name "National Nut Company" instead of the name "National Nut Company of California"; and the name "National Nut Company" appears on most of our stationery.

The machine involved in the two patents which were offered in evidence comprises a base on which is mounted a pan which is open at its top to allow the addition and taking out of nut meats. [85] It is arranged so that it can be rotated by means of a mechanism mounted within the base, and motivated by a motor also mounted within the base. One, two or three pans are mounted on the base, and adjacent each pan is a heating element which radiates heat to the bottom of the pan; and the heat coming from the element and the reflector gives a gentle heat rather than a very active heat which would tend to burn the nuts in that pan. There is also mounted on the base a stirrer or paddle which, as the pan rotates, tends to displace the nuts so that they are in effect uniformly heated. The paddle is not used all the time. It is used only when the highest heat is applied to the heating pan. As the pan rotates,

(Testimony of W. D. Love.)

the paddle or stirrer keeps the nuts from becoming too hot or burning. The heating element is arranged in three different speeds, so that after the nuts are heated the heat may be turned down and then the paddle may be removed, and the nuts will keep uniformly warm throughout the business day. More nuts can be added from time to time during the day as nuts are sold, and an adequate supply of the nuts is ready to be sold from the container at any time.

We are importers, packers and wholesalers of edible nuts. We get our Brazil nuts from South America, the almonds we use largely from California, the pecans from Texas, and so on. The nuts are cooked in cocoanut oil in our plant. In some cases they are salted, and in some cases they are not. They are then packed in containers and shipped to the retail stores. They are then put in one of these pans and reheated, the purpose being to freshen the nuts and to make them appetizing, and to enable the dealers to serve the heated buttered nuts throughout the day. The nuts are delivered to the dealer in a cooked condition. The dealer warms the nuts in the nut-heating machine, and usually adds a little butter and salt. That is the present practice, and has been since [86] our machine was put on the market in 1932. Prior to the Kohler inventions, with few exceptions, dealers simply purchased salted nuts, put them in some sort of container, and sold them in that condition.

(Testimony of W. D. Love.)

Concerning the circumstances which led up to the producing of the inventions which are the subject of the two patents in suit, I told Kohler that I thought it was essential to the development of the business to devise some sort of apparatus with which we would be able to heat nuts in the retail stores, and keep them in the heated condition so that they could be served to the public from such apparatus. Kohler, being the mechanical member of our concern, went to work to develop such an apparatus. Machines embodying the Kohler inventions are now in operation in over 800 cities in the United States, and in five foreign countries. The Kohler machine has increased the sale of nuts enormously, and retail stores have increased their nut business many many times. Our company manufactures the machines.

Prior to the Kohler invention salted nuts were sold largely from retail grocery stores, cigar stands, also in a few of the chain stores, and in a few individual nut shops that sprang up just a short time before that. Since the Kohler invention, the sale has spread so that practically all of the larger five and ten cent chain stores have distributed salted nuts in a large way. Prior to the Kohler invention they sold practically nothing but peanuts.

In answer to interrogation by the Court the witness stated that plaintiff's device was called a "nut toasting machine"; that they have made about 2,000 since beginning business; that the machines are not

(Testimony of W. D. Love.)

sold but put out on a rental basis; that the rental varies from half a cent to two cents a pound on the nuts [87] used in the machines. The stores have to buy the nuts from us to use in our machine. In 1932 our nut business was $120,000, in 1935 over $500,000, and ran about that in 1935, 1936 and 1937.

Mr. Love: We just started the machines in 1932, and at the end of 1932 I think we had about 30 machines in operation.

It is hard to give an average rental. We have one store that has averaged for four or five years 1350 pounds of nuts monthly, and another that has gone down to about 50 pounds a month, on an average.

Mr. Townsend: It is understood that our objection goes to all of this, and furthermore that the witness has not shown any proper foundation for his figures, etc., even if they were material.

The Court: All right.

Mr. Love: At the time the Kohler machine was introduced there were two or three different machines on the market. One machine had a base on which was mounted a kettle placed right on a heating element, and which had a rotating paddle. The nuts were heated in about five or ten minutes in that machine. The paddle tended to break the nuts badly, and the nuts could not be left in the machine while going longer than that. Another machine was sort of like a cement mixer. It had a heating element through the center, and an octagonal container

(Testimony of W. D. Love.)

that revolved around the heating element, the nuts being tumbled around in the container.

Later there was a so-called "Royal Merry-Go-Round Machine". Before that there was a show case, first a pan and then there was a show case in which was mounted a circular dish, which was revolved; and then later the show case with the large kettle which resembled our machine. The latter was called the "Royal Merry-Go-Round".

I first observed the Royal Merry-Go-Round machine at the [88] Sontag chain store out on Mission Street, San Francisco. The machine was in operation. The machine had nut meats in the kettle, and the kettle revolved under a heating element that was placed above it, and as it revolved it heated the nuts on the top layers in the kettle. The motor and heater continued in operation while nuts were being removed; and, as nuts were sold, while an additional supply was added to the top of the kettle.

I discussed the similarity of the machine which I observed at the Sontag chain store to our machine with our salesman, Mr. Mann; and with Mr. J. F. Pedder and Mr. Hamilton, and a number of others.

Following my observation of the machine at the Sontag Chain Stores, Ltd., I discussed the filing of a suit for infringement of our patents; and notice of infringement.

(Plaintiff's Interrogatories filed December 14, 1935, in case 3941-S; the Answers and Objections to Plaintiff's Interrogatories filed Jan-

(Testimony of W. D. Love.)

uary 12, 1936, and Defendant's Answers to Interrogatories 1, 2, 5, 6, 12, 16, 17 and 18 filed May 16, 1936, were then introduced in evidence, subsequently numbered Plaintiff's Exhibits 11, 12 and 13 respectively.)

Mr. Love: The copy of a letter set forth in Defendant's Answers and Objections to Plaintiff's Interrogatories filed January 12, 1936 (Plaintiff's Exhibit 12) is a copy of the notice of infringement sent to Sontag Chain Stores Co., Ltd. Following that notice, Sontag Chain Stores Co., Ltd. did not discontinue its use of the machine complained of, nor did it render or offer to render any accounting as requested.

The notice of infringement was sent to Sontag Chain Stores [89] Co., Ltd. on the recommendation of Mr. Schroeder to whom the question was first referred. Mr. Schroeder is a patent solicitor, who made the original applications for us and secured the original patents for us. At the time I took the matter up with Mr. Schroeder I thought he was an attorney-at-law.

The application for reissue of the Kohler patent No. 1958,409 was made upon the recommendation of Mr. Charles S. Evans, with whom I took the matter up in the fall of 1935 after suit was brought against Sontag Chain Stores Co., Ltd. Prior to consulting Mr. Evans I presumed that the claims of the Kohler patent No. 1958,409 were broad and proper claims. That impression was given me by Mr. Schroeder.

(Testimony of W. D. Love.)

Mr. Schroeder's general attitude toward me in reference to his handling of our patent matters was that a simple layman could not understand the intricacies of patent law, and that I should leave everything to him. I had had no previous experience in the securing of a patent. I handled all correspondence with Schroeder regarding the Kohler applications.

The Court: I am wondering why this case should not be submitted upon the issue of the intervening rights. I do not think there is any infringement of the design. It seems to me that you, gentlemen, should stipulate as to the facts, and submit the case upon that point.

Mr. Orr: I am quite willing to do that, submit it on the question of intervening rights, if counsel wishes to do that.

Mr. Townsend: I think that would save time. I would like to submit it on a motion to dismiss, with the understanding that either party may, following your decision, if you approve that course, if they would like to go ahead with other evidence they might present it.

The Court: What would there be to present if I should [90] hold the design was not infringed and your second plea was good?

Mr. Townsend: As far as we are concerned that would be the end of the case.

Mr. Orr: Of course, we have not had any oppor-

tunity to present our case on the infringement of the design patent.

The Court: What can you present on the infringement of the design patent? What is there to present? There is the design as shown by the patent, and there are the machines side by side.

Mr. Orr: One machine only.

The Court: Yes, that is the machine of the plaintiff and the machine of the defendant. Isn't your machine there?

Mr. Townsend: This is the defendant's machine, and the design patent is shown in the patent with three pans.

Mr. Orr: I think we should have the privilege of pointing out the similarity of the dominant features of these designs, so as to apply the decisions as they have been handed down.

The Court: I see the machine and I have the patent here, and you can argue that in your brief, if you wish to do it that way.

Mr. Townsend: We are willing to submit it with that qualification on a motion to dismiss.

The Court: I think it is a case that should be, and I think you should stipulate as to the facts upon this second defense of yours.

Mr. Orr: On such a proposition, of course, the only question then before you would be whether or not Sontag Chain Stores, Ltd. have acquired intervening rights.

The Court: Yes.

Mr. Orr: If they have acquired such rights then they are not infringing; if they have not acquired

such rights, admitting infringement, the decision would be for the plaintiff. [91]

Mr. Townsend: As to the prior art, I think the patents could be explained in the briefs without a word of testimony from anybody, and we are willing to stipulate infringement if the patent is valid.

Mr. Orr: That presents another issue. The issue, to my mind, was whether there are intervening rights. If you are basing your claim of invalidity on intervening rights, that is one issue; if you are basing it on some other defense you have pleaded in the prior art, that is another issue.

Mr. Townsend: The improvident issuance of that reissue, itself, is, in our opinion, a defense toward invalidity. Then there are other points of invalidity. We have all of those defenses, but we are giving you the best one first. I know your Honor would not want to preclude us unless the other fellow wanted to go the whole way. We will stipulate here in a few minutes as to the patents we would offer to show the prior art, the file wrappers in the two cases, and the matttter of intervening rights, and that is all there is to it so far as the defense is concerned.

The Court: Why don't you do that, and do that as quickly as possible, and get your record in proper shape, and then submit the matter?

Mr. Orr: Submit the matter on briefs?

The Court: Yes. What further proof do you want to offer?

Mr. Orr: I merely wanted to read the claims of the patent on the infringing device.

Mr. Townsend: I think your Honor would have no difficulty in that.

The Court: It is a very simple patent, is it not?

Mr. Orr: Yes.

The Court: I think I would not need any aid in reading the patents. [92]

Mr. Townsend: We admit infringement if the patents are valid. We admit any one of these claims, we will take claim 6 or 10 of the re-issue is infringed if the patents are valid.

Mr. Orr: They are all infringed, there is no question about that.

Mr. Townsend: If the patents are valid. As to the prior art, we would offer the patents.

The Court: You wish to offer patents, do you?

Mr. Townsend: Yes.

The Court: Go ahead and do that.

Mr. Orr: We will want to point out the insufficiency of these patents as presented.

Mr. Townsend: You can do that in the brief.

Mr. Orr: What about the depositions that have been taken here?

Mr. Townsend: The depositions and the prior art speak for themselves.

The Court: They can be deemed in evidence.

Mr. Townsend: And be read by your Honor.

The Court: They can be admitted in evidence and be deemed read in evidence.

Mr. Orr: And discussed in the briefs with the prior art.

Mr. Townsend: Yes. We have prepared an opening brief for the Court, and we will supplement that.

Mr. Orr: We will brief it and then submit it.

The Court: Are you going to offer the patents, Mr. Townsend?

Mr. Townsend: Yes. I will ask if plaintiff is through with offering what he wants in evidence now.

Mr. Orr: We have introduced the patent and the assignments only, and the interrogatories and answers. I think that is [93] all we would introduce, aside from the rebuttal depositions which were taken, and which would be offered in rebuttal of the depositions offered by the defendant.

The Court: The depositions are admitted in evidence and deemed read.

Mr. Townsend: Of all parties.

The Court: Yes. I will read them. You offer your patents and then we can agree upon a time.

(The following exhibits were then introduced in evidence by counsel for defendant:

Original Kohler Patent No. 1958,409, Defendant's Exhibit A.

File Wrapper of Kohler Patent No. 1958,409, Defendant's Exhibit B.

Defendant's Interrogatories dated August 9, 1937, Defendant's Exhibit C.
Plaintiff's Answers to Defendant's Interrogatories, Defendant's Exhibit D.)

Mr. Orr: There is one other point on which it may be necessary for the plaintiff to take some further testimony, and that is the date of invention and completion of the Kohler machine.

Mr. Townsend: That is shown in the interrogatories, answers to the interrogatories. You have already answered that by the answer to interrogatory No. 5, that on information and belief the machine referred to; that is, the Kohler machine, was designed during the period from the latter part of September, 1931 to the early part of February, 1932; and the answer to interrogatory No. 6, referring to this same Kohler machine on information and belief that the machine referred to was completed during the week immediately preceding February 20, 1932, and was completed during the period of about two months immediately preceding.

Mr. Orr: Will you stipulate that the machine went into commercial use immediately following its completion, or I will have [94] to bring in testimony to show it was in commercial use on the 20th of February, 1932.

Mr. Townsend: And thereafter went into commercial use.

(The following exhibits were then introduced in evidence by counsel for defendant:

Enlargement of Design Patent in suit No. 89,437, Defendant's Exhibit E.

Enlargement of Overton patent No. 532,083, Defendant's Exhibit F.

Enlargement of Pearson patent No. 239,269, Defendant's Exhibit G.

Enlargement of Thompson patent No. 1786,877, Defendant's Exhibit H.

Enlargement of Young patent No. 858,318, Defendant's Exhibit I.

Three enlargements of Kelly patent No. 1945,196, Defendant's Exhibit J.

Enlargement of Sawin Patent Office drawings, Defendant's Exhibit K.

Enlargement of Patent Office drawings of defendant's machine, Defendant's Exhibit L.

Book of prior art patents consisting of copies of Overton, Pearson, Thompson, Young and Kelly patents, Defendant's Exhibit M.

Enlargement of Kohler Reissue patent, Defendant's Exhibit N.

Model of Plaintiff's two pan machine, Plaintiff's Exhibit 8.

Mr. Townsend: In other words, your February 20, 1932, machine was a two-pan machine and not a three-pan machine?

Mr. Orr: That is correct.

Model of Plaintiff's one pan machine, Plaintiff's Exhibit 9.

Model of Defendant's Merry-Go-Round machine, Plaintiff's Exhibit 10 which consti-

tutes the charge of infringement, both as to the design patent and the re-issue patent No. 20,024.) [95]

Mr. Townsend: It is understood, of course, that all of the depositions and all of the exhibits are likewise admitted in evidence.

Mr. Orr: Yes.

Depositions Taken At Los Angeles On May 21, 1937 In Behalf Of Plaintiff, Pursuant to Notice

MORRIS SONTAG,

a witness subpoenaed by plaintiff being duly sworn, testified as follows:

Direct Examination

By Mr. Orr:

I reside at 522 North Arden Drive, Beverly Hills. I am the president of the Sontag Chain Stores Company.

Mr. Hackley: I will stipulate that Sontag Chain Stores Co., Ltd., of which this man is the president is the defendant in the present case.

Mr. Sontag: I have occupied that position since September 1935. Prior to that time, and from May 1934 to September 1935 Nathan Sontag was president of the company. None of the officers of the company has any particular duty with reference to matters of patent infringement; and in matters of alleged infringement there is no one I know of who

[Deposition of Morris Sontag.]

directs the policy of the company. That has always been true. I personally make leases for the company, but in the matter of alleged patent infringement I know of no voice I have in directing the policies of the company. I have no knowledge of the facts involved in the present suit, and have no knowledge whatever with respect to the patents involved in the present litigation. I do not know of anyone in our organization who had knowledge of the patents involved in this suit at any time during the period from May 1934 to the present time. Mr. Peterson of our company is authorized to turn all suits over to attorneys. [96]

Mr. Orr: Mr. Sontag, would you be willing to have Mr. Peterson come up here to testify without the formality of securing a subpoena for him?

Mr. Hackley: I think I can answer that for Mr. Sontag by offering you again a stipulation, which should be satisfactory under the circumstances, namely, that neither Mr. Morris Sontag, nor Nathan Sontag, nor Mr. Albert, who are present in the room here, nor the Mr. Peterson mentioned, have any special knowledge whatever regarding this transaction; that no one of them, nor all of them jointly have directed or established any policy of the company regarding this or any other patent transaction; that the only person that might have that special knowledge is Mr. Lloyd, of San Francisco, division manager of the company at San Francisco. That the matter has come to his atten-

[Deposition of Morris Sontag.]

tion, and thereafter was promptly referred to counsel.

I will add to that stipulation the fact that Mr. Lloyd, of the San Francisco office, had no authority, nor did he direct the policy of the company, nor did anyone else in the company direct the policy of the company concerning patent matters, this or any other patent matter; that this matter, as is the custom of all good business houses, was probably referred to counsel; and, to the best of my information, which is gained after a study of the facts, no one in the organization has any such special knowledge, other than such information as could be gained from Mr. Lloyd. He is available, of course, for subpoena, at the time of trial.

Mr. Orr: With that stipulation, I will confine my questions, then, to the present witnesses, to just two or three questions.

Mr. Hackley: This is with the understanding that it won't be necessary to call Mr. Peterson?

Mr. Orr: That is correct. [97]

Mr. Sontag: It is correct that I personally have had no knowledge whatsoever of the patents involved in this suit, either before or since the suit was brought, and have not participated personally in the direction of the policy of the company or the course of action which has been pursued; and I have no knowledge of any officer or employee of my company authorized to direct the policy of the company in regard to the alleged infringement.

NATHAN SONTAG,

a witness subpoenaed by plaintiff testified as follows:

Mr. Hackley: For the sake of saving time, I will stipulate that Mr. Nathan Sontag is the present vice-president of the defending company, that he is the former president of the company, and immediately preceded the last witness, Mr. Morris Sontag, as president of the company; that he has no knowledge, direct or indirect, of a proper nature, in a case of this character, regarding the transaction in which we are involved here, and that the general stipulation entered into previously applies to his testimony as well.

Mr. Sontag: I have had no knowledge whatever of the patents involved in the present litigation prior to the time this suit was brought against my company. I personally did not participate in any way in the direction of the course pursued by the company following the filing of the suit. I do not know of any officer or employee of my company who is authorized to direct the course to be followed by our company in case of an alleged infringement. Mr. Lloyd of San Francisco has no such authority that I know of.

D. E. ALBERT,

a witness subpoenaed by plaintiff, testified as follows: [98]

Mr. Hackley: I will stipulate that Mr. Albert is the secretary of the defendant company, and has been for a substantial time; that whatever was said regarding the subpoenaed witnesses here in the previous stipulation applies to Mr. Albert.

Mr. Albert: It is correct that I have had no personal knowledge of the patents involved in the present litigation, and have taken no part in the direction of the policy pursued by the company in regard thereto. To my knowledge, no one connected with the company has directed the policy of the company, other than to refer the cause to counsel.

Depositions Taken at Chicago, Illinois, August 24-25, 1937 in Behalf of Defendant, Pursuant to Notice

HERBERT S. FRANKEL,

a witness called on behalf of the defendant, being first duly sworn, testified as follows:

Direct Examination

By Mr. Smith:

I am 32 years of age, reside at 4017 West 18th Street, Chicago, Illinois; and am employed by Birtman Electric Company as draftsman. I was so employed in the year 1931. The drawing Exhibit 9 is

[Deposition of Herbert S. Frankel.]

a design of a nut roasting machine made by me approximately May 1931 for Birtman Electric Co. It is an assembly drawing.

Exhibit 9-A is a detailed drawing of the bottom bearing, or base plate for that nut roasting machine. It is a detail made from the assembly drawing Exhibit 9, with dimensions on it so that pattern equipment can be made from it.

Drawings Exhibits 9-B, 9-C, 9-D, 9-E, and 9-F are also detailed original drawings made from the assembly drawing Exhibit 9. The dates July 30, 1931 and July 31 were put on when the drawings were completed. I delivered the drawings to Mr. Hardin. I made them all. They were sent out either for patterns to be made, or for [99] other equipment or tooling.

Cross Examination

By Mr. Orr:

After delivering the drawings to Mr. Hardin I had nothing more to do with them except modifications for production purposes. Being in the organization and watching the plant, I saw the parts being made in accordance with these drawings. As to the date on the drawings, all designs and assemblies precede the details, and we worked for a month or two before the details on the design and developing were finally made for production purposes. This is the only nut roaster I ever designed for Birtman Electric Company. The idea was taken

[Deposition of Herbert S. Frankel.]

from a juice extractor unit which I designed for a model known as the "Kitchen Marvel" Unit. The nut roaster was not added to the regular line of products of the Birtman Electric Co. It was designed for one customer only, Susu Nut Company, and was designed at their request.

RAY S. HARDIN,

called as a witness on behalf of the defendant, being first duly sworn, testified as follows:

Direct Examination

By Mr. Smith:

I am 47 years of age, reside at 9443 Central Park, Evanston, Illinois; and am experimental engineer and foreman of the motor department of the Birtman Electric Company, Chicago, Illinois; manufacturing small motors, washing machines, vacuum cleaners, principally. We manufacture numerous electrical appliances. I occupied that same position in the year 1931. I am acquainted with the Susu Nut Company, and with Mr. Lester M. Sawin, who was formerly president of the Susu Nut Company. I first met Mr. Sawin, now deceased, in the spring of 1931 when he called at our company relative to having us make a nut roasting unit. I met him in the office of Mr. Gustafson, the purchasing agent for the Birtman [100] Electric Company, who had a slight acquaintance with one of the men of Susu

[Deposition of Ray S. Hardin.]

Nut Company. That man, Mr. Heitman, came with Mr. Sawin, to discuss the possibility of getting the Birtman Electric Company to manufacture a nut roasting unit. Our company made motors and numerous appliances. We had never made any nut roasting units. Generally we did not do jobbing work, but business was slack and we had the time so we discussed making a unit for them, and came to an agreement after numerous conferences. Defendant's Exhibit 2 is a copy of an experimental order to do work in our tool room in regard to making a nut mixing unit. The number is A-220. The order was taken from the files in our vault by myself and a man who had charge of the vault, and we pulled this out of our equipment order file. This order and the other document produced are a part of our permanent records.

Defendant's Exhibit 3 is a summary sheet showing the labor and material used in making the first experimental nut roasting unit on order No. A-220. The labor is done in our tool room and the cost of material used on experimental jobs of this kind are entered on the back relative to getting out the invoices. The name "Rock Island Manufacturing Company" printed on Defendant's Exhibit 3 is the name of a subsidiary of the Birtman Electric Company which we purchased in 1929. The Rock Island Manufacturing Company made the casting and iron parts. On the back of the order is a summary of the time spent by workmen. The summary

[Deposition of Ray S. Hardin.]

was made for bookkeeping purposes. 112 is the workman's number. The next column is the number of hours, 260. June 30 was the day the bookkeeping department totaled that man's cards and entered it on the back of this order. That is a summary of his work for several weeks.

Mr. Smith offered in evidence a certified copy, certified by the Commissioner of Patents, of an application for a patent [101] filed by Lester M. Sawin August 27, 1931, Serial Number 559,702, for improvements for Nut Heating Machines and methods, as Defendant's Exhibit 1.

Defendant's Exhibit 4 is an invoice by Birtman Electric Company to the Susu Nut Company covering experimental work on a small nut roasting unit which we made by gathering some parts that [102] we had and a motor and mounting them up for roasting nuts. The unit was made in accordance with the ideas and disclosure of Mr. Sawin. Mr. Heitman came along with him and asked us to make something along the lines of a conversation which we had on numerous occasions. The capacity of the unit was two pounds. I do not know who made the writing appearing on the exhibit.

Under the orders and instructions given, we constructed a unit and assembled it on a base, and fixed it so that heat would be applied to a pan when it was plugged in at an outlet, and the motor would revolve and stir the nuts when they were being heated; by means of a paddle in the bottom of the

[Deposition of Ray S. Hardin.]

pan. The paddle was driven by a gear below the pan. The gear was coupled to the motor by means of a worm. When the motor was plugged in, the heat was applied to an element under the pan, and that paddle was revolved in the bottom of the pan by the power of the motor.

Comparing this two pound experimental device with the drawing attached to the application for patent, Defendant's Exhibit 1, witness stated that the important difference was that "we took a board and mounted a unit similar to this one with the motor", which is shown in Figure 1.

Mr. Hardin: We mounted that unit on a board. Approximately four inches from the base we mounted a motor with a flexible coupling in the form of a stiff rubber hose. This connected the motor shaft and the worm of the unit. In operation there could be no difference between this and the experimental model, the only difference being that the motor was attached to the board about four inches from the base. When it was plugged in, the heating element that we had under the pan heated the pan and nuts that were put in it, and the motor drove the worm through the flexible [103] coupling which we had, which I said was about four inches long. This power was transmitted to a vertical shaft by means of a worm gear, and we had the paddle in the pan stirring the nuts, as you see here on Figure 3. We used a base which we had built for a juice extractor, and had sold quite a number of

[Deposition of Ray S. Hardin.]

them. This base was equipped with a worm and gear and did not have a motor on it. We coupled a motor to it by means of this flexible coupling and mounted it just outside of the base on a board. Several tests were made on the two-pound unit. One of the principal ones was made in our conference room at the Birtman Electric Company, 4140 Fullerton Avenue, Chicago; Mr. Sawin, Mr. Heitman and several officials of the Birtman Electric Company were there. In testing, we roasted several pounds of nuts and ate them, and discussed plans of going into the production of a commercial unit. The device operated satisfactorily to heat and mix the nuts. I tested the nuts after they had been heated and mixed. They were all hot after treatment in the device, and none of them were burned. A number of stale nuts were treated and they came out of the unit heated and in very palatable form. The two-pound unit was completed and tested near the end of June or the first of July, 1931. Subsequent to the production of this two-pound unit we had further dealings with the Susu Nut Company along this line. They came at a number of times and wanted us to make four. They first discussed ten, experimental units, and then go into production of this unit in quantity.

Defendant's Exhibit 5 is a letter from the Susu Nut Company to the Birtman Electric Company, dated July 23, 1931, signed by Mr. Heitman, and

[Deposition of Ray S. Hardin.]

received July 23, 1931, confirming a conference relative to four five-pound units. This letter confirms the conference which we had had telling Birtman Electric Company to construct a wood pattern, so that the unit would be of five-pound capacity, [104] and the Susu Nut Company mentioned in this letter to have the motor so that it could be used on a two-pound unit or on a five-pound unit, and this pattern work which we were instructed to do, was to be done on time and material basis, and charged to the Susu Nut Company.

Witness is familiar with Mr. Heitman's signature and states that the letter bears Mr. Heitman's signature.

Defendant's Exhibit 6 is a work order, No. A-235, for the five-pound unit. The order is dated August 10, 1931. We made four five-pound units under that order. We completed one unit first, and later three more.

Defendant's Exhibit 7 is a construction order or cost sheet having the same number, A-235, as Defendant's Exhibit 6, and shows entry of the labor and materials for the work order, Defendant's Exhibit 6. On the reverse side of Exhibit 7 are figures and dates in pencil relating to labor. The same explanation which I gave on Exhibit 3 applies to this sheet. It is simply the date on which the bookkeeping department entered the man's hours and is numbered, and the total of work done on this order.

[Deposition of Ray S. Hardin.]

Defendant's Exhibit 8 is an invoice from Birtman to Susu Nut Company for the four five-pound units and was sent after the four were made and delivered.

In making the five-pound unit, we made regular drawings for production and used only the idea of the amount of power required for the motor in starting our design for the five-pound unit. Defendant's Exhibit 9 is the layout of the assembly of the five-pound unit on which we later went into production, and it shows the motor, the base, heating element, the pan and paddle. We have the dates of the drawings that were made from this. Defendant's [105] Exhibits 9-A, 9-B, 9-C, 9-D, 9-E, 9-F are detailed drawings dated July 30 and 31, 1931. Such drawings are always dated when they are made and go to the blueprint room after being completed. Exhibit 9 was made several days before Exhibits 9-A to 9-F inclusive. The name of "Modern Laundry Company" which appears on the paper on which the drawing is made refers to a subsidiary of the Birtman Electric Company, and that part would be made by the Modern Laundry Company, and therefore their name appeared on it. That was the reason it was made on drawing paper of the Modern Laundry Company; we gave the order to the Aluminum Company who made the part. These drawings have been in the files of the Birtman Electric Company since they were made. Mr. Frankel, our draftsman, the witness who testified here this morning, made those drawings.

[Deposition of Ray S. Hardin.]

After the first of the five-pound units was completed, representatives of the Susu Nut Company brought out nuts to our factory and we roasted them and tried the first one of them very thoroughly and turned it over to Mr. Sawin of the Susu Nut Company. Mr. Sawin and Mr. Heitman and I were there, and a mechanic in our shop. The unit worked very well. It roasted the nuts and turned them in the pan with the heat applied underneath, and it was not quite as quiet as we desired, but the unit worked very well. The nuts were uniformly heated. It operated to the same effect and with the same results as the two-pound unit which had previously been tested. The motor had more power and it was much more satisfactory. Mr. Sawin said he was going to Detroit to show it to a number of customers; he was in a big hurry and had to make his train, and he took it before the paint was hardly dry.

Witness saw the unit a few days afterwards.

Sawin returned the unit in four or five days and said that [106] it worked quite satisfactorily, but was a little noisy and wanted us to work on it and try and reduce the noise. We eliminated the noise by eliminating the coupling between the motor and the worm shaft, and placing the worm right on the armature shaft. That eliminated the noise. We made several tests. They were all satisfactory. We had slight trouble with one or two kinds of paddles darkening some of the nuts; so we experimented with different types of metals, different materials,

[Deposition of Ray S. Hardin.]

to use on the paddle. In all cases the unit worked, heated the nuts and stirred the nuts.

The device shown in the Sawin application, Defendant's Exhibit 1, is like the first one of the five-pound units that we made. We put on a switch to eliminate the heater contact, having reference to Figure 23. We used three electric terminals so that we could get the motor to turn the paddle with the heat using the first two, and using the second and third the motor would turn the paddle without the heat and when we pulled the plug from the terminals, it stopped and the terminal was off. We had two stages of heat on the first one that was made and later we only went to the one heat.

Defendant's Exhibit 10 is a letter from Birtman Electric Company to Susu Nut Company dated August 28, 1931, acknowledging an order for five hundred nut heating units, dated August 27, 1931. The Birtman Electric Company manufactured those five hundred units. The first deliveries on this order were made in September, 1931.

Defendant's Exhibit 11 for Identification is a carbon copy of a letter from Birtman Electric Company to Susu Nut Company, dated August 24, 1931, quoting prices; later identified and offered through Mr. Heitman.

The devices, in filling this order for 500 units, were [107] made from the same drawings that the four five-pound units were made from. We later made more details but the essential parts were the same. We had to tool up for this job.

[Deposition of Ray S. Hardin.]

Defendant's Exhibit Number 12 is an invoice of the tool equipment required, covering most of the tools required to complete the 500 units. The date of this bill is October 13, 1931; we had completed the units and had figured the cost before the invoices could be made out.

Witness saw some of the devices made under that order for 500 in use; for example, on Saturday September 26, 1931, I took my wife when we went shopping in the afternoon and went into a Kresge store in Evanston right near our shopping district and showed her the unit in operation. We talked to the Manager of the store and he said it was working very well and they were thrilled with the unit. The store was on Davis Street; the exact number I can not give you offhand, but it is the only Kresge store on Davis Street in Evanston, Illinois.

Later I was called to examine a machine at 19 South State Street concerning the speed of the motor. They were using a D.C. current and the machine ran faster than the other unit and I was called in to examine it and see just why it was and what could be done to make the direct current units run more slowly. Later I put a rheostat on the units so that they would not go so fast, but for a while we could not get the rheostats, and we shipped them so that the alternating and direct current units were the same. The rheostat slowed up the operation of the motor on D.C. current, so it corresponded with the A.C. current, and the principle is the same in either case.

(Deposition of Ray S. Hardin.)

Witness company does not do any manufacturing for the Susu Nut Company at the present time. Witness is not in any way directly or indirectly interested in the Susu Nut Company, or [108] financially interested in the Susu Nut Company or the Sontag Chain Stores, the defendant in this suit, nor is he in any way pecuniarily interested in the outcome of this suit.

Cross Examination

By Mr. Orr:

The first time witness met Mr. Sawin was in the spring of 1931. We had never done any work for the Susu Nut Company prior to that time. When the work for Mr. Sawin was undertaken, it was with the idea that we would develop enough units to go into production with the idea of selling the units to the Susu Nut Company.

After Mr. Sawin came to us with his ideas, we made the crude models and he tried them, and we got underway with the drawings. It was on a time and material basis; we made a charge for the experimental work; all experimental work is on a time and material basis. We made only one of the two-pound experimental size. We discussed several different models. It was approximately two to three weeks later when we undertook to make the five-pound machine, after the two-pound one. That order for 500 was entirely filled. We made our first deliveries in September, 1931, and continued to make deliveries until the order was completed. Deliveries were made as fast as we could get them out;

[Deposition of Ray S. Hardin.]

generally not more than 25 a day; something like that. We received other orders for those machines; I don't remember how many more. I know there was another order for another 500, but I do not remember whether there was a third 500 or not, I cannot say definitely, but I know there was another order for 500. As to how long we continued supplying five-pound machines, I do not have those figures, how long it took; I know it was a question of a year or a year and a half; it is rather indefinite. I can not say definitely without looking up the shipping orders. Later we went into the reflector type, but not motor driven, in [109] 1933, somewhere in there. I cannot say definitely, but I know it was a year and a half to two years. The five-pound machine differed from the two-pound machine in size. Also, the coupling of the motor was shortened and in fact was removed altogether and a worm was put on the armature shaft after we got into production. The pan on the five-pound unit was larger than the pan on the two-pound unit; there was no difference other than size. They were aluminum pans in both cases.

In the five-pound machine, we used a much higher wattage heating element than in the two-pound unit. The heating element was the same in design, the same in general layout, but the wattage was higher in the five-pound unit, being about 900 watts while in the two-pound unit it was 660 watts. The five-pound unit had a higher paddle. In size it was just

[Deposition of Ray S. Hardin.]

a little higher; in general design, it was approximately the same. The pan screwed right down on top of and against the heating element. The bottom of the pan was approximately 7 inches in diameter. The heating element was in the form of a ring approximately 5½ inches in diameter with an open center of approximately 3½ inches. The element was an imbedded element enclosed between the base and the pan. The wire was not exposed. That same arrangement of the heating element was carried out in the five-pound commercial machines which we made subsequently, illustrated in drawing Exhibit 9. The paddle was rotated within the pan: (Referring to Exhibit 9, witness said:) You can even see the dim lines that was the original first one of the four where the motor was out in the outer position and we had a flexible coupling in the first one of the four. In the latter three, we put the worm on the armature shaft and moved the motor in, and that way eliminating the flexible coupling. Our records show that we delivered the first of those five-pound machines to [110] the Susu Nut Company the latter part of September, 1931. The four five-pound units were completed before we got the order for 500. There was an interval of at least one week, if not two weeks, between the delivery of that first of the group of four and the three delivered at a later date. The first or the second group of three were delivered in the early part of August, 1931; it was subsequent to the completion of the

(Deposition of Ray S. Hardin.)

drawings which have been offered here in evidence, A, B, C, D, E, and F, which bear dates of July 30th, 1931. The drawings were worked up, the original drawing was made in July, 1931. We used the brown paper drawing in making those four machines. There was no difference on the commercial machines that we had started to deliver in September; no difference in those, and the last three of the four. Referring to the drawing of the Sawin application, that drawing most nearly represents the first one of the four. We moved these contacts later and put a switch on it, when we delivered three units, the last three or four terminal units. The same arrangement was embodied in the subsequent commercial machines. The paddle rotated at a speed varying from 40 to 65 revolutions per minute. In some cases, if there were no nuts in the pan and the voltage was a little high on a universal motor, it would speed up a little higher than 65 revolutions per minute. In some cases it went as high as 80 and 90 revolutions a minute. We had to keep the speed down so they could read the sign put on the center paddle. The speed of rotation of the paddle in the two-pound machine was approximately 45 to 50 revolutions per minute. In the final commercial unit we made the motor a little stronger so they could carry the load, and in doing so, it speeded up the paddle a little bit. In the final commercial type of machine, the speed was 50 to 60 revolutions per minute with a load. I was called to examine a machine on State Street that seemed to be running too

[Deposition of Ray S. Hardin.]

[111] fast. I found that it was running on direct current and the paddle was running approximately 90 or possibly 100 revolutions per minute, and they considered it too fast to read easily. A rheostat was installed to slow down the operation.

Q. Did you observe anything different in the character and the condition of the nuts in the case of the machine that was run at high speed as compared with the unit run at normal speed?

A. I did not notice any material difference; we had the heat there and it turned the nuts over a little faster, but there was no material difference.

Q. Was anything said about breakage or damaging of the nut meats at high speed?

A. It was in our tests, and we were told not to let the speed go too high; that it might break up some of the more delicate nuts, but the principal argument was that they wanted to read that sign on the center. That may have been a factor when I was called to examine the unit on State Street. When I went over to visit the State Street store, they had been roasting the nuts and they had the nuts out of the pan and the paddle was going free; and they said it was going too fast to read the sign on the paddle.

In testing the two-pound unit, we put two pounds of mixed nuts into the pan and turned it on, approximately from six to eight minutes. After the pan was warm and after they had been heated and thoroughly turned for six to eight minutes, we took

[Deposition of Ray S. Hardin.]

them out and spread them out in a pan and let them cool. There were several officials there of the Birtman Electric Company and Mr. Heitman and Mr. Sawin of the Susu Nut Company, and we ate the nuts and discussed the possibilities of the nut roaster. Then the Susu Nut Company had the unit for a while and experimented with it for a few days, and I came back several times and they decided that they [112] would have to have a larger unit, a five-pound unit.

The final test on the first of the first four five-pound units was made after we had completed the unit, just before Mr. Sawin took the unit and left for an out-of-town trip. We had several pounds of nuts in our experimental room, and we turned the current on this unit and poured five pounds of nuts in it. The current was left on somewheres between six and ten minutes. It roasted the nuts, dried them out, brought them back to what they call—made them fresh—and we examined them after they had been through the machine and examined the machine, and the machine worked very well. We ate the nuts and discussed the machine, the operation of it, and so forth; the machine worked very well, and there was no criticism. They were thrilled with the results that we obtained. There were Brazil nuts, cashews, some pecans, large hazelnuts or filberts—they made up the principal amount of this mixture. I observed very litle breakage of the nuts in that test. The nuts were a little

[Deposition of Ray S. Hardin.]

oilier. No appreciable breakage; there might have been a little, but none that could not have been at any time put out on the counter and sold. The nuts we used were principally whole kernels. I am not a nut man and cannot speak with authority, but I understood that they were largely whole nuts. There were a few pieces. The machine increased the number of broken nuts but very little. We used the same motor on the first order of five hundred that we used on the last three of the first order of four. We changed the winding a little; it made it a little stronger and carried the load with a little more ease.

Witness recalls another machine that he went out to examine after commercial outfitting began; one up on the north side. I do not remember the location, on the north side of Chicago. I observed that in the fall, in October, of 1931. I have been down to the Susu Nut Company and examined a good many machines of a [113] later type, units that had been out and they wanted me to look them over and see how they were standing up, and so forth.

Later we built a machine for Susu Nut Company with a reflector type of heating element above the nuts. It gradually dried the nuts out but did not stir the nuts. I was called down to the Susu Nut Company, and the method of procedure was very similar, the way we went to the development of the mechanical unit. In the office Mr. Sawin had a heating element up on top of a pan of nuts and he was warming them very slowly, and he wanted me to

[Deposition of Ray S. Hardin.]

make a reflector type of unit. I made a unit of that type and sent it down to them. We subsequently supplied those commercial units to the Susu Company. We manufactured the reflector type of machine only on orders by the Susu Nut Company, for the Susu Nut Company.

Redirect Examination

By Mr. Smith:

Referring to a revolution speed of 80 to 90 per minute, that was on the direct current machines; the majority of these machines run slower than that if they go on alternating current, and the operating speed, as I mentioned before, was about 50 to 60 revolutions per minute on alternating current.

A. G. HEITMAN,

a witness called on behalf of the defendant, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Smith:

I reside at 6441 Lakewood Avenue, Chicago. I am accountant and comptroller for the Susu Nut Company. I've occupied that position since March of 1930. I knew Mr. Lester M. Sawin, who in 1931 was president of the Susu Nut Company.

Witness is shown Defendant's Exhibit 1, and identifies facsimile of Mr. Sawin's signature.

(Deposition of A. G. Heitman.)

James Urbanek was Secretary and Treasurer of the Susu Nut Company at that time; his position now is President of the Susu [114] Nut Company.

Witness knows the subject matter of the application for patent Serial No. 559,702. Mr. Sawin and I developed the idea of selling nuts from a frying pan, and from that developed through request to the Birtman Electric Company, or rather to develop a small two-pound unit, because of the impracticability of stirring by hand, and then a larger unit for commercial use. The original contact with Birtman Electric Company was made by telephone. Then Mr. Sawin and I followed it up with a personal contact through their engineering department, Mr. Hardin, and draftsman. That two-pound unit was made with a detached motor mounted separately with a flexible shaft driving a unit in the center. That was the smaller unit which was developed.

In the first two-pound unit Birtman Electric Company used a base which they had previously used for a juice extractor. It must have been made some time during the month of April or May, 1931. There was slush on the ground from snow, as I remember, when we went out there. The heat element was a standard heating element and the motor was developed from the vacuum cleaner motor. It was similar to the one that they used in the vacuum cleaner, rewound because of speed. It had the same housing as the vacuum cleaner motor. That machine included a motor, an aluminum pan, a reduction

(Deposition of A. G. Heitman.)

gearing and a shaft from the reduction gearing which revolved a wooden paddle inside the bottom of the pan. The two-pound unit was made in accordance with Mr. Sawin's instructions. It was tested in my presence and was satisfactory for that size. Present besides myself were Mr. Hardin of the Birtman Electric, a draftsman by the name of Mr. Frankel, and Mr. Sawin. The test heated the nuts uniformly, made them fresh-tasting and crisp. Mechanically it did the job of stirring the nuts and heating them. [115] The bill, Defendant's Exhibit 4, was for the two-pound unit and bears my initials. That is a bill of the Birtman Electric Company for experimental work on the nut heating unit, in the amount of $101.70. This unit had been delivered and tested before the bill was received. The letter Defendant's Exhibit 5 was written by me on the date at the top of it, and refers to a five-pound unit. The "five-pound unit" means that the merchandise is packed in five-pound packages and we could dump one box into a unit and it is a practical size. The first estimate, as I remember it, was prior to August 1, some time during the end of July, and was considerably higher than the final contract actually agreed on. Defendant's Exhibit 11 is a letter dated August 24, 1931, and is an estimate of the cost of the five-pound unit.

Defendant's Exhibit 10 is a letter dated August 28, 1931, from Birtman Electric Company received by me. It refers to the order of August 27, 1931, for five hundred units as per sample submitted. The

(Deposition of A. G. Heitman.)

sample was a five-pound unit which had been manufactured before the date of this letter.

After testing the two-pound unit, Birtman Electric Company was immediately told to develop a five-pound unit, which was done during the period between July and the early part of August. The first of the four five-pound units was completed prior to the middle of August, it was tested, and the test was considered successful. We also sent nuts out to the Birtman Electric Company and they ran it out there before they brought it down to our plant. Witness was present at that test, and also Mr. Sawin, Mr. Hardin and Mr. Frankel. The nuts were uniformly heated in the five-pound unit. We tested peanuts, cashew nuts and different types of nuts to see that it produced a satisfactory toast. A very small and unobjectionable percentage of breakage occurred. Mr. Sawin took [116] the first five-pound unit to Detroit after this test, to the Kresge Company to present it to the buyer of the Kresge store in Detroit. Witness next saw that unit when Mr. Sawin brought it back from Detroit.

Defendant's Exhibit 8 is a bill dated September 10, 1931, for the work in developing the four five-pound units which had been delivered prior to August 27. Comparing the drawing attached to Defendant's Exhibit 1, application for patent, with the construction of the first of the five-pound units that were delivered, witness says:

(Deposition of A. G. Heitman.)

I would say this is identical, with the possible exception of the sign which was put on there. We had it in mind. I don't think this was actually the first five-pound, but in this type of sign we had an advertising sign. Otherwise, those were put on for advertising purposes after they were completed.

I first met John V. Lizars, a patent attorney, when he came to the Susu plant to take one of the four five-pound units apart and examine it. The device was operated at that time, and was disassembled for his inspection while he was there. The purpose of Lizars' visit was to properly examine the unit and actually lay it out on paper as it was manufactured by the Birtman people. He said he was going to send in a man to have a drawing of the unit we had taken apart. Mr. Lizars sent a draftsman on the following day to make a drawing of the unit. The draftsman made the drawings there in the office.

Witness was able to say that the drawing attached to Exhibit 1 is of the first of the four drawings of the five-pound units delivered by the Birtman Electric Company, because of the shape of the paddle in here; also the taper of the shaft was wooden, while in the 500 units this was not wood, but steel. All

[117]

those first four were identical; those four units were identically alike. Following the test, we gave an order to produce 500 as soon as they could produce them.

(Deposition of A. G. Heitman.)

On the order for five hundred units, first delivery was made by September 23, or three or four days prior to September 23, when some were delivered in stores. The five hundred machines manufactured under that order were identical, with the exception of the minor points that have been mentioned, with the drawing on Exhibit 1. Those units when delivered, beginning three or four days before September 23, 1931, were put in the Kresge Stores in Chicago. We have card records which show the delivery of the units and merchandise to these stores. The group of cards, Defendant's Exhibits 13, 14, and 15, show delivery of some of these units to stores as early as September 23, 1931. One card of Exhibit 13 shows that on June 5, 1931, there were two units which were hand units. In other words, a frying pan and a stirring paddle were delivered to these stores, to be put in a window display to sell nuts. On September 23, 1931, a mechanical unit was delivered to store Number 4657 Broadway.

The topmost page of Exhibit 14 shows a unit delivered to store 258 at 826 Davis Street, Evanston, of the Kresge Company, wherein two hand units were delivered on June 5, 1931, and another one on June 8, 1931. The latter was replaced on September 23, 1931, with a mechanical unit with no number on it, and this in turn was replaced with a cream-painted mechanical unit on February 1, 1932. Those mechanical units were a part of the five hundred order. In the lefthand part of the page is a note

(Deposition of A. G. Heitman.)

"one rheostat painted unit 2120"; that means we put rheostats in the unit to control the speed depending on the quantity of nuts put in the machine. If you had a unit full of five pounds of nuts, you could run it at a speed [118] with the rheostat, and if you only put in, say, one pound, the speed of the equipment would be reduced by this rheostat. The direct current would operate on the universal motor faster than the A.C. current.

Exhibit 15 shows that Kresge store Number 471, Milwaukee Avenue, has a unit which was placed on June 5, and another on June 16, 1931, and one mechanical unit on September 23, 1931, which was replaced on November 19, 1931, by another. It was a chromium model A, put in on July 28, 1932. All of the five hundred units covered by the first order were put out during the year 1931. As to the finish on the first unit mentioned, delivered on September 23, 1931, they were painted, some yellow and some red. The only difference between the units delivered in 1931 and those delivered in 1932 was in the shape of the paddle and the finish of the aluminum pan.

Witness observed the operation of many of these machines after they were installed, and they operated satisfactorily for the purpose of heating nuts.

Since around August, 1934, the Blanchard Electric Company has done the work for the Susu Nut Company. Mr. Lester M. Sawin died February 15, 1934; he was president of the Susu Nut Company continuously to the time of his death, and through-

(Deposition of A. G. Heitman.)

out the time of ordering, manufacturing and distributing of the nut-heating units to which witness has testified, Mr. Sawin took a personal active part in the management of the Susu Nut Company.

Defendant's Exhibit 12 is Birtman's bill covering the cost of making the tools for manufacturing the order of five hundred, and was rendered a considerable time after the biggest part of the order had been delivered and were in use.

Cross Examination

By Mr. Orr:

The tests referred to in my direct examination were [119] regarded as satisfactory in that the machines would stir the nuts and heat them through in a proper time, which would not be too long in the store and without burning them, so that the clerk could put salt and butter on them and they were ready to sell. The principal factors we were concerned with were that the machine should heat and stir the nuts, and the time element required for heating. Some of these original five-pound units are still retained in the store. I would say, at the present time, around 50 to 60 units over the country are in operation. The rest of this number put out in 1931 and 1932 have been replaced by improvements of models that we have brought out in the display of nuts. In some of the first models of the five hundred units ordered, a change was made directed toward reducing the speed. Sometimes ma-

(Deposition of A. G. Heitman.)

chines were run with only one pound of nuts, in which case it might do some damage to the nuts if it ran too fast, and operated in a D.C. current store. With a low quantity of nuts, excessive speed was regarded as possibly damaging the nuts. I would say the biggest factor was certain customers like a unit to run faster that other customers because of the display it gave by running fast. The biggest reason I would say was selling purposes.

In testing the first two-pound unit, each test would take around seven to ten minutes for a batch of nuts. I don't remember the exact time, but they ran it out at the Birtman Electric Company. I know that we sent out three five-pound packages of nuts, and they used those; they ran them so long that they were unfit for use. Then we took it down to our plant and we tried it there for one week. The same is true with regard to the models of the five-pound units. Tests of the five-pound units took about seven minutes, depending on the type of nut being salted. Following that first order of five hundred, we gave another order for one thousand at that time [120] and I know we duplicated that order, but I do not remember how many more after that. I know there were two one-thousand orders in addition to the five hundred.

Q. In other words, you put out something like 2500 of them?

A. In excess of 2500.

Q. And of that number, there are about 60, you think, that are still in use some of the time?

(Deposition of A. G. Heitman.)

A. At the present time, but we replaced a lot of those with other units.

I might say on that replacement point that the principal reason for the replacement of the units was that the unit first developed would not display more than one type of nut at a time, and the unit which we used to replace can take four kinds of nuts; sometimes six kinds of nuts are displayed.

The structure of that replacement machine was: a motor with a shaft through reduction gears which turns a paddle instead of a pan, and the paddle is so shaped that the nuts tumble over and by the shape of this paddle, as the paddle turns around, the nuts from the top in this unit travel down and come back up again, and it takes several revolutions to accomplish this. That keeps the nuts turning, so that they all become heated, and come in contact with the bottom of the pan under which is the heating element. I am describing the five-pound unit. Birtman was directed to make the machine which witness Company supplied for replacement. In the replacement type, the motor turns the pan and the nuts are not stirred at all. The heating is done so that the customer always takes out the heated nuts from the top of the pan. Different types of nuts were displayed in one pan.

Concerning changes made in the paddle and hub construction, [121] witness said that originally it was a wooden paddle and that was converted into aluminum and nickel. That is, the paddle was made

(Deposition of A. G. Heitman.)

out of aluminum with nickel mixed in it, and it made a hard surface. It was mechanically operated better than wood, and would not wear out. It would cause the nuts to flow a little faster from the top to the bottom of the pan, but there was very little difference in that. In other words, metal is naturally thinner and you had to taper it a little different.

The occasion for transferring our account from the Birtman Electric Company to the Blanchard Electric Company in 1934 was that the Birtman Company in the first place was too busy to handle this type of work, because of the volume of standard work. The Blanchard Electric Company is still manufacturing for us.

Redirect Examination

By Mr. Smith:

Regarding the length of time occupied by the tests that witness observed, and where he answered six or seven minutes, witness did not mean by that that he was only present for six or seven minutes while the machine was being tested. That is the time required to test one batch of nuts, the mechanical time. We would take several hours in a day, and as a matter of fact we have had the units run all day and all night to see whether we could wear them out in a short period of time, and the time necessary to enable us to test them was to find out if there were any mechanical defects. We kept operating those and testing the mechanism, and we

(Deposition of A. G. Heitman.)

toasted the nuts for seven minutes on a toasting test. Sometimes we would run them over, but seven minutes was the time it took to toast them and put the butter and salt on and deliver them to the customer. When we tested the first unit of the four five-pound units we made more than a dozen of these seven-minute tests.

The same was true of the tests made in the stores that [122] witness visited. With a lot of these tests fresh batches of nuts were used.

Recross Examination

By Mr. Orr:

As to the condition of the nuts that were run in the machine for several hours or over night, naturally, when you run for a long time the oil would become heavy from stirring, and the oil would be on the nuts from this constant stirring and having the heat during the entire time. The tendency of the nuts was to mash up if you ran the same batch of nuts for hours.

RALPH E. BURKHARDT,

a witness called on behalf of the defendant, having been first duly sworn, testified as follows:

Direct Examination

I am 43 years old, reside at 2318 North Tripp Avenue, Chicago. I am a patent draftsman, and I

(Deposition of Ralph E. Burkhardt.)

have been in business for myself and my partner for fourteen years. In 1931, Albert J. Sauser was my partner. Mr. Sauser died about a year and a half ago, and I am carrying on the business. Witness has in his possession the records of the firm of Sauser and Burkhardt. Defendant's Exhibit 16 is an order blank of a job which Mr. Sauser received August 17th in a case which Mr. Lizars turned over to him on a nut heater, and is made out in Mr. Sauser's handwriting. We made an order blank as soon as we received a job from attorneys. On the back of the card is the notation "trip to Susu Nut Company; 1¼ hours", in Mr. Sauser's handwriting. I personally did not have anything to do with this job.

JOHN V. LIZARS,

a witness on behalf of the defendant, having been first duly sworn, testified as follows:

Direct Examination.

I am 40 years of age, and reside at 75 White Oak Street, [123] New Rochelle, New York. I am a patent attorney. In 1931 I was engaged in the practice of patent law at Chicago, being employed by the firm of Chindahl, Parker and Carlson, predecessor of the firm of Parker, Carlson, Pitzner & Hubbard. I met Mr. Lester M. Sawin through Mr. Chindahl during the year 1931, at the office of Chin-

(Deposition of John V. Lizars.)

dahl, Parker and Carlson. Mr. Sawin had called upon Mr. Chindahl to have a patent application prepared, and while Mr. Sawin was here, Mr. Chindahl called me in for the purpose of acquainting me with the subject matter, and Mr. Chindahl instructed me to prepare the case.

I went to the office of the Susu Nut Company with which Mr. Sawin was connected, and there examined in detail the device which was to be the subject of the patent application. The device was complete and operative. Mr. Sawin and Mr. Heitman were there at the time, and while there I had the machine taken apart and examined it in detail. My object in examining the machine was to learn all of its structural and operative details, so that I would be prepared to write the application for United States patent.

I had previously instructed Mr. Sauser to make the drawings, because Mr. Chindahl was anxious to have the case completed as soon as possible, and I did everything possible to expedite the preparation and filing of the case.

I arranged to have the draftsman, Mr. Sauser, call at the Susu Nut Company to make drawings of the machine. Mr. Sauser made these drawings and delivered them to me, and I proceeded with the completion of the detailed part of the specification penciling in the numerals in the penciled drawing before it was inked. That was our customary practice. The drawing attached to the Sawin application, De-

(Deposition of John V. Lizars.)

fendant's Exhibit 1, is the drawing which Mr. Sauser prepared and which I used in the drafting of the application for patent. [124]

Defendant's Exhibit 17 is a page from my time book, which is a record of the time which I spent on work in the office of Chindahl, Parker and Carlson from day to day for the period from April, 1928, to November, 1932, inclusive. The entries in this book were made by me. I made these entries as was our practice during each day at the office, so as to form a record of all of the subject matter with which I was concerned during any particular day's work. Page 96 of this book was an entry under date of 8-17 pertaining to work which I did on the application for the Susu Nut Company, one hour having been spent with respect to the specific entry to which I referred. Incidentally, I notice that I have a second entry of two and a half hours on the same thing on the same day. The first entry reads: "Susu Nut Company, conference with Sawin and Heitman, re application on nut heater." The second entry on the same date likewise refers to the Susu Nut Company and pertains to work on the application covering the nut heater invention of Mr. Sawin. There are also entries on page 96 of the book on 8-18, 8-19 and 8-20. On 8-18 in my time book is a notation four hours spent on the application Susu Nut Company heater, and again on 8-19 the entry of four and three-quarters hours spent on application for Susu Nut Company's nut heater,

(Deposition of John V. Lizars.)

and I notice an additional 8-20 with reference to the same subject matter, and particularly to the plant of the Susu Nut Company for conference with Messrs. Sawin and Heitman. There is an additional entry under date of 8-20 of work on the Susu Nut Company application, two hours being included as the time spent. The specification in Defendant's Exhibit 1 is the one I prepared, and the specification contains a true description of the machine I saw at the Susu plant on August 17. That is the application that I wrote. I particularly remember the language of the claims because Mr. Chindahl and I discussed the features of [125] the invention in detail and I conferred with him as to the substance of the language of the claims with a view to being certain that the ideas were properly covered. The specification does contain a true description of the machine which I examined at the plant at the Susu Nut Company, because the drawing which I used in the preparation of the case was made directly from the machine and I had the actual physical embodiment in my mind at the time of the preparation of the case. The drawing illustrates the physical features, externally and internally, of the machine that I saw. On that day, the machine was operated successfully, and I operated it myself, and, as I have already said, assisted in the assembly and disassembly of it so as to familiarize myself with its parts. I actually ate heated nuts that had been prepared in the machine, and I

(Deposition of John V. Lizars.)

brought samples of them back to this office. The machine operated thoroughly satisfactory and the body of nuts in the receptacle were uniformly heated. I happened to know this because Mr. Sawin and I took samples of them throughout the body of the mass of nuts in the receptacle. The visit to the Susu plant on August 17 was in 1931. I have no recollection of having done any other patent work for the Susu Nut Company in Chicago. I have no interest whatever in either the Susu Nut Company or the Defendant, Sontag Chain Stores.

Cross Examination

By Mr. Orr:

I understand that the application which I prepared, Defendant's Exhibit 1, was subsequently abandoned, but I know nothing concerning the circumstances, because I did not prosecute the case myself.

During my visit to the Susu plant, the machine referred to was tested both before and after I disassembled and reassembled the machine. The machine was operated somewhere from fifteen minutes to a half hour in making the two tests. Referring to book [126] Exhibit 17, on the 17th the entry to which I refer states there was one hour, and on the 20th is a reference to a trip to the plant of the Susu Nut Company, and conferences with Messrs. Sawin and Heitman, one and one-half hours. The plant was relatively close at hand, and even though that included traveling time, that of itself would

(Deposition of John V. Lizars.)

not have amounted to more than fifteen or twenty minutes. They were right here on Illinois Street. Certainly no less than an hour of that time was spent at the plant, and although the machine was relatively simple, it would require very little time to assemble and disassemble it. In fact, it was built so as to lend itself to ready assembly and disassembly. I would say one hour was devoted to that work of examination, although that is conjectural and I could not remember specifically. We tested the machine both before and after its disassembly. Cold nuts were placed in the receptacle and the machine put in oper ion by turning on the current, so as to cause its agitating or circulating vane to rotate. Then after witnessing this operation the machine was disassembled for my examination. To the best of my recollection they were mixed nuts that were placed in the machine. I did not observe the condition of the mixture with respect to the number of broken nuts present. I did not make any observation as to the number of broken nuts present when they were removed from the machine after heating. I presume the machine was in operation somewhere from fifteen minutes to a half hour, including the test both before and after our disassembly of the machine. Some time afterward I actually saw the machine in operation in a store in Chicago, although I do not recall the specific location. I did it, however, because of having been connected with the case, and I re orted having seen it to Mr. Chindahl.

(Deposition of John V. Lizars.)

I imagine I stood around five or ten minutes watching it. It was in the window of a store [127] downtown, as I recall. I had no occasion to conduct any subsequent examination or testing of the machine.

Depositions Taken at Cleveland, Ohio on August 26 and 27, 1937, in Behalf of Defendant.

WILLIAM WILLARD KELLY,

a witness produced on behalf of defendant, being first duly sworn, testified as follows:

Direct Examination

By Mr. Chilton:

My name is William Willard Kelly; with the Kelly Company. I reside at 755 Central Avenue. I am sales manager; and am 52 years old.

I am the William W. Kelly who took out patent 1,945,196. I was associated with the Nut Products Company at the time that the application was filed which resulted in patent 1,945,196. I was a stockholder. I held no office. I have taken out other patents on nut toasting or nut warming machines; and am one of the joint inventors named in patent 1,880,822. The machine shown in patent 1,880,822 preceded the machine of the Kelly patent 1,945,196. The machine shown in patent 1,880,822 was put into commercial production. About six of them were made by Cook Electric Company. They were put

(Deposition of William Willard Kelly.)

out as experimental machines, and the production was turned over to P. A. Geier Company, located on 105th Street, beyond St. Clair.

Defendant's Exhibit C-20 is a printed circular showing illustrations of the two machines used in heating the nut meats, which Nut Products Company sent out to the ten cent stores and department stores. That circular was distributed to the trade, and then the salesmen carried it. I was familiar with the advertising matter of the Nut Products Company during the period of 1931, but not so much in '32. I held pretty near 50 per cent stock interest in the company. The idea of the machine disclosed at the left of [128] the circular, Defendant's Exhibit C-20, was to put nuts in the machine, to rotate them, and use reflected heat to warm them up. The first six of those machines were made by the Cook Company, and then Geier made the rest of them. Defendant's Exhibit C-21, I think, was the production drawing. It is dated fourth month, sixteenth day, 1931. P. A. Geier Company was producing machines shown in that drawing as of that date or shortly thereafter. The machine shown in this production drawing, Defendant's Exhibit C-21, was known as the Model A Nutmaster.

The Nut Products Company started out with this type Model A machine, but it was pretty expensive; it cost them around $68 or $70; so, in order to get more machines out for a small investment, we got up this smaller machine which could be built up for

(Deposition of William Willard Kelly.)

not much more than half of that machine. I made up sketches, had the idea, and then took it out to Geier's, and their draftsman, a gentleman out there named Martinet. I just left the sketches out there; I don't know whether they have them or not. I couldn't find them among my papers. The Nut Products Company went through bankruptcy; I think, in 1933.

I remember talking at the P. A. Geier Company regarding the Model C machine with Mr. P. A. Geier and Martinet and his assistant draftsman, I think, Collier. Comparing the machine of patent 1,945,196 with the machine of this circular, Defendant's Exhibit C-20, referred to as a Model C, those machines are substantially the same.

At my first discussion of this matter with Mr. Martinet of the P. A. Geier Company, they had instructions to make up a model for the approval of the company. They went ahead and made drawings, and a model machine, and it was given an O.K.; and then they went ahead and made castings and went into production. The [129] two photographs, Defendant's Exhibits C-22 and C-23, show the Model C heating machine made by P. A. Geier Company. Defendant's Exhibit C-22 and the cut shown in the circular Defendant's Exhibit C-20, referring to the Model C machine shown in that circular, are the same model. The paddle of that machine shown in Defendant's Exhibit C-22 can be raised and lowered, and it has a bend to stir or turn

(Deposition of William Willard Kelly.)

the nuts. The first one was made out of aluminum; it was bent till we got the right shape, and later it was a casting. Referring to Defendant's Exhibit C-22, to me the paddle looks more like the first hand made one. The other one came down a little lower. I think that is the hand made one. As I recall it, the production paddle had a lower position.

The P. A. Geier Company had patterns made. I can identify the seven wood patterns, Defendant's Exhibits C-24, C-25, C-26, C-27, C-28, C-29, C-30, and C-31. Defendant's Exhibit C-31 had a revolving dish, and this is an attachment, we had a place for two of them, one on either side, and you are supposed to heat this dish and put it over here. You have two dishes so the nuts were warm to sell out of, or keep on heating this one. The right hand side of the photograph C-23 is a stationary dish holder, and is the same as pattern C-31. Defendant's Exhibits C-24 and the part on the left hand side of Defendant's Exhibit C-23 are identical. Defendant's Exhibit C-25 is the attachment to hold the two stationary dishes, and the pattern for the revolving bowl holder.

The machines shown in Defendant's Exhibit C-22 and C-23 were completed by the P. A. Geier Company, I think, around Christmas time, December, 1931. The Nut Products Company was billed for the designing and building of that machine, Model C Nut Warmer. Personally I had never seen the invoice, Defendant's Exhibit C-32, but I know it was

(Deposition of William Willard Kelly.)

for this machine and it was paid by the Nut [130] Products. I know that through Erk, meetings with Erk. I first saw this invoice the forepart of this week. (Deposition taken August 26, 1937.)

That invoice refers to pattern numbers E-131, E-132, E-130, E-134, E-133, altered, E-123, E-125, and E-124-A. Those numbers appear on the wood patterns. E-134-A appears on Defendant's Exhibit C-24; Exhibit C-25 contains pattern number E-124-A; pattern number E-131 is on C-26; E-132 on Defendant's Exhibit C-27; E-133 on C-28; E-125 on C-29; E-130-A on C-30; and E-123 on C-31. I can identify those patterns as being patterns of parts which went into the machines shown in Defendant's Exhibit C-22 and C-23. Pattern C-27 is not disclosed in the photograph; it is underneath it.

P. A. Geier Company made layout or assembly drawings of this model C machine. The drawing, Defendant's Exhibit C-34 is a preliminary drawing of P. A. Geier Company. I think Martinet and Collier made it. I don't know which one did the drawing. That drawing bears date of 9-23-31. Defendant's Exhibit C-33 is one of the preliminary drawings of the model C machine. I think this is the drawing they made the model from; I mean the finished machine from. It bears a layout number, No. 138. Exhibit C-34 bears a layout number 137. The pattern, Defendant's Exhibit C-31 and the part which supports the vessel, shown in this drawing, Defendant's Exhibit C-33, are the same. This drawing Defendant's Exhibit C-33 bears date 10-6-31.

(Deposition of William Willard Kelly.)

Defendant's Exhibit C-36 is a layout of the mechanism for revolving the turn-table and dish of the C machine. That drawing bears layout number 147, and bears date of December 11. I find on drawing, Defendant's Exhibit C-36, a part which corresponds to pattern E-132, Defendant's Exhibit C-27. That part is the part of the mechanism for revolving this turn-table here, the ratchet, I [131] think it is. Defendant's Exhibit C-35, I think, is the improved Model C machine. They improved it somewhat as they went along. They changed the shape of this paddle a little. That drawing bears layout number 148. It refers to another drawing—"Motor drive See layout 147-149". The base of that machine which supports the rotatable vessel and the pattern Defendant's Exhibit C-24 are the same thing. The member which supports the rotatable dish and Defendant's Exhibit C-28 are the same. Defendant's Exhibit C-37 is a layout of the motor for driving the turn-table. It bears layout number 149. All of these drawings, Defendant's Exhibits C-33 to C-37, inclusive, relate to parts which went into the production of the machine shown in Defendant's Exhibits C-22 and C-23. The approximate date when this machine shown in those photographs was completed was just before Christmas time, in December, 1931. We took some nuts out there and they had the model machine made up and we tested it and we approved it. Present at those tests were O. E. Erk, Mr. Geier, Martinet, Collier, and myself. I think Mr. W. E. Graving was present too.

(Deposition of William Willard Kelly.)

At this test we plugged the machine in and put the nuts in the bowl, turned the heat on, and heated them up. The heater had three heats. When we went into commercial production of the Model C machine they changed the shape of the handle; and we refined the agitator and put an attachment over the side of the dish to hold the dish down and to keep the nuts from falling over the side.

Kelly patent 1,945,196 discloses a machine substantially identical with the one in the photograph Defendant's Exhibit C-22 and C-23. I was satisfied with the machine that was tested at the Geier plant in December 1931. At the time I was in the company I think, as I recall it, there was at least a hundred commercial machines produced substantially like that shown in Defendant's [132] Exhibits C-22 and C-23. I don't know how many more after I got out of there. We got into commercial production in three months after we had tested this first machine. Those machines were just given out to Woolworth's and Kresge's, the chain stores.

Exhibit C-20 was used to sell nuts. The machines weren't sold; they were just loaned out for the sale of the nuts. This circular was distributed to the trade.

Cross Examination

By Mr. Orr:

Defendant's Exhibit C-34 is one of the earlier preliminary layouts. We revised, changed the handle. There were changes made; and we changed de-

(Deposition of William Willard Kelly.)

tails of the construction. I think the first model machine was built in exact accordance with the drawing. We first had one set position for this heater, and then you could regulate it to different heights. With respect to the detail construction which is shown in this particular drawing, Defendant's Exhibit C-34, I would say there was a machine built to be in exact accordance with the drawing. I think it was built after Exhibit C-22.

The machine shown in the photograph marked Defendant's Exhibit C-22 is not built in accordance with the drawing marked Defendant's Exhibit C-34. This drawing C-34 shows a different handle. There is a difference in the base.

In reference to drawings Exhibits C-33 and C-34, I don't know which was used for the purpose of making patterns or producing the machine. I would say Defendant's Exhibit C-33. I think the first machine was built in accordance with the design shown in Defendant's Exhibit C-34. There was one machine made we tested and O.K'd before they went ahead. I cannot answer whether or not there was one machine made in accordance with Exhibit C-34 and then later other machines made in accordance with Exhibit C-33. I am all [133] balled up. All I can say is there was one machine made; we looked at drawings like this; they went ahead and made one machine; then we O.K.'d that machine. I know we changed this handle, and we made this ratchet so it could be caught in three different places, and

(Deposition of William Willard Kelly.)

put a red light up here. Those changes were made after the first model which was finished in December, '31.

I recall Defendant's Exhibit C-35. This is where we were working on the casting for the agitator.

Referring to the three drawings, Exhibits numbered C-33, C-34, and C-35, they all embodied parts of the machine, the drawings, I mean.

I did not take any part in the building of the machine. We went out and consulted with them; they showed us how it worked; where they fell down.

We started out with one machine. We found out the agitator didn't work quite right and we fixed that up. We found too much distance between the dish and the reflector, and fixed this so it could be lowered and raised. Defendant's Exhibit C-34 shows a vertically disposed handle. As I recall it, that was the first handle. I know there was a machine made with a handle like that. I can't recall whether that was made before or after the machine with the straight, horizontally disposed handle shown in the photograph C-22. This was long ago; I can't remember one handle.

The drawing Defendant's Exhibit C-35 includes a paddle which I would say is a cast one. As I recall it, the casting was changed to a different shape. I do not find a cast paddle in the drawing, Defendant's Exhibit C-33, or in the drawing, Defendant's Exhibit C-34. I would say the machine as it was actually produced is a combination of the

(Deposition of William Willard Kelly.)

three drawings, Defendant's Exhibit C-33, C-34, and C-35.

There was another improvement: we aerated the two [134] reflectors, one over the other; one got so hot we put one over the other. That was later than the first machine, I know that, two or three months after that. That change is embodied in the machine shown in Defendant's Exhibit C-22. I couldn't tell if the machine shown in Defendant's Exhibit C-22 was the first machine produced, because they may have taken the heater off of one and put it on another one. I know we didn't have that on the first one. I think the machine was a combination of the three drawings. I cannot pick any particular one. It is my recollection that the work of designing this machine continued over three or four months from the time when we first went out there.

The changes were made mostly after the first machine. In working out the drawings there were various changes. At first we gave them the idea what we wanted, then he would draw it up, then they would give us their idea if it would work or not, and then the changes were made. They were doing it as a matter of experimental work to develop the machine. The first machine was the growth of the preliminary work that we had done on it. "It wasn't to be an experimental; it wasn't so much an experimental machine as—well, it was in a sense an experimental machine." Of course we wanted to see what the first machine was before we went ahead

(Deposition of William Willard Kelly.)

and built more. As to how long it was before we produced any machines that were intended for commercial use after this first machine, I don't recall the exact date, but I would say it was within ninety days. A matter of two or three months at least.

In the commercial machine, as referred to, there were several changes made, as I said yesterday, in the agitator, in the heat reflector; just little things we found out we could improve on, but they were made after the first machines were put in production; it was from the first production machines that were [135] out that we found those changes. I didn't take any part in the actual building of the machine; just the model part of it. I couldn't tell you when this circular marked Defendant's Exhibit C-20 was distributed. It must have been early in 1932. I imagine it was at the same time we got the first machines out. I took pencil sketches out to the Geier Company when I first took out the problem. They had not been made up to scale, at all. I had the little model made out of metal I showed them.

Redirect Examination.

By Mr. Chilton:

Defendant's Exhibit C-22 wasn't a production machine. The view C-22 and the view in the circular model C machine look the same. The highlights and shadows and reflections in the print and in the circular appear the same. That picture, C-22, must have been taken early in December or prob-

(Deposition of William Willard Kelly.)

ably in January, 1932. As to the machine shown in the photograph C-22 and in the circular C-20, referring to the Model C Nut Warmer, I don't know where exactly it was sent, but all of them were sent out, so I imagine that went out. I don't know whether that machine of the photograph C-22 was given a serial number or not.

Recross Examination

By Mr. Orr:

I know that photograph C-22 could not have been taken around Christmas time; I think it was probably the next month. I haven't any exact dates. I can't give you the date when the circular was printed. It was first distributed coincidental with the first commercial machine. I would say they got those right after they started in production on the machine; I know it wasn't right away, because the first machines they gave to the ten cent stores. It probably followed the first commercial machine.

Redirect Examination

By Mr. Chilton:

I didn't have anything to do with the advertising done by [136] the Nut Products Company. I didn't take care of printing those circulars. I was anxious to get into production on this machine. The machine was put into commercial production as soon as we could get it. There was no intentional delay on my part.

(Deposition of William Willard Kelly.)

Recross Examination

By Mr. Orr:

I couldn't tell you exactly how many of those machines were made because I got out in '32, and they continued the company until '33, but when I was there we were talking about one hundred machines at first. I don't know how many more than that they had out, or if they reached a hundred. As fas as I know those machines are not still being produced. I would say practically all of them that were made are in use; just a few that got in the second hand stores.

EUGENE F. MARTINET.

a witness called on behalf of defendant, being first duly sworn, testified as follows:

Direct Examination

By Mr. Chilton:

My name is Eugene F. Martinet; age 35; 848 East 129 Street; occupation, chief engineer, The P. A. Geier Company, Cleveland, Ohio. I have been with the P. A. Geier Company seventeen years in December this year. In 1931 I was chief engineer. Primarily P. A. Geier Company manufactures household appliances.

P. A. Geier Company manufactured a nut toaster for the Nut Products Company. Exhibit C-21 is an assembly drawing of the commercial machines that

(Deposition of Eugene F. Martinet.)

were first made by the Geier Company for the Nut Products Company, and was known as the Model A machine.

The next machine was known as the Model C nut warmer. That machine is shown in these photographs Defendant's Exhibits C-22 and C-23. I talked about this machine in the beginning to William W. Kelly. He came out, and the machine that we had been [137] building was somewhat too expensive and wasn't entirely what they had in mind, and he came out with an idea of a smaller machine that would do a lot of the things that they were interested in having done, and talked to me about the general ideas he had in mind of this machine. We discussed several different ways of doing it, and I believe before he left we had a pretty general idea of it, just how we were to proceed on the development and construction of that machine. I don't recall whether Mr. Kelly brought sketches. I know there were sketches made while he was [138] there, but they were just rough sketches, trying to get the idea he had in mind, over to us. The Geier Company made drawings of this Model C machine. Defendant's Exhibit C-34 is a layout. I believe that is one of the first designs submitted to them. Our chief draftsman, Mr. Collier made that drawing. Defendant's Exhibit C-33 was also drawn under my supervision by Mr. Collier. Defendant's Exhibit C-36 is a layout of the power unit and turn-table drive for the Model C nut warmer, made by Mr.

(Deposition of Eugene F. Martinet.)

Collier also. Defendant's Exhibit C-37 is another view of the method of suspending the power unit. These drawings have been in my custody since they were made. They were removed from our files for the purpose of this proceeding. Defendant's Exhibit C-32 is an invoice rendered to Nut Products Company for the development and experimental work of the Model C nut warmer, rendered by the P. A. Geier Company. That invoice has been in my custody until it was removed for the purpose of this case. The invoice indicates that 107½ hours were put it on that particular piece of work. That is the total. The date of that invoice is January 2, 1932. This Model C nut warmer must have been completed before Christmas of 1931. We would not have billed for the design and building of the machine before it was completed. Defendant's Exhibit C-22 and C-23 accurately show the machine which was completed at Christmas 1931. Very extensive tests were performed on that machine at our plant. It was tested before we billed for its production, prior to January 2, 1932. Most of the tests were run to obtain temperatures that were present in the nuts in the bowl underneath the reflector, and also for safe temperatures on the outside of the reflector so the customers buying nuts would not be burned to any great extent. I was satisfied with the operation of the machine before it was billed. [139]

Q. Were you satisfied with the operation of the machine?

(Deposition of Eugene F. Martinet.)

A. Yes.

Q. That is, in December 1931?

A. Before it was billed, we were satisfied with the machine. That would be before the date of the invoice.

In reference to the custom in the plant of the P. A. Geier Company with [140] regard to the drawings, after the layouts are completed, detail drawings are made from layouts, after which the working drawings of those detail drawings are then used for the making of patterns or any other parts that may be necessary.

Defendant's Exhibits C-24 to C-31 inclusive, are patterns for making the Model C nut warmer. Comparing those patterns with the parts which are shown in the photographs Defendant's Exhibits C-22 and C-23, I am able to identify parts illustrated in the photographs with the patterns. For instance this casting C-29 is the casting that holds this top bowl in position with the handle. C-28 is the turn-table that holds the bowl. C-31 is the holder for the bowl. C-30 is part of the power unit assembly that was underneath the turn-table. C-26 is the motor cap that belongs to the motor driving the power unit. C-25 is the casting holding the center tube to which the bowl supporting castings are assembled. C-24 is the main base, stamping or casting. The Brost Pattern Works made these patterns.

The patterns about which I have testified are contained in that invoice. Defendant's Exhibit C-32

(Deposition of Eugene F. Martinet.)

The five invoices of the Brost Pattern Works, addressed to the P. A. Geier Company, Defendant's Exhibits C-38, -1, -2, -3, -4, -5, are invoices for these very same patterns. These invoices were taken from our records. I have had charge of them since I received them. They were removed from our records for the purpose of this case. My initials are on all of them. The initials "M.F." on the five invoices are Max Fairaizl's initials. All invoices on any details or patterns that are made, are turned over to him after I O.K. them, for a record to be made and kept in the engineering department. He is a draftsman, under Mr. Collier. The eight pattern cards, Exhibits C-39, -1, -2, -3, -4, -5, -6, -7, -8, are the record cards that were made from the invoices just discussed and are a complete record of the patterns

[141]

and any alterations that may have been made on them. They are made so we have a record of the pattern cost, where it was made, the date it was made, and its history as long as it is active. Those cards were taken from our records, have been in my charge ever since they were made, and are in the same condition they were when they were made. When a change was made in a pattern, it was noted on those cards. The dates appearing on those cards indicate the date change.

After we completed and tested the machine shown in the two photographs, Exhibits C-22 and C-23, we went into commercial production on this machine.

(Deposition of Eugene F. Martinet.)

Defendant's Exhibit C-40 is a record showing the dates of the first machine and how many were built. This is a record we call a serial number record. Every thing that we build we keep a record of the day on which the first one is made, and if we discontinue production the last production date is put on the sheet, and the starting date, along with the obsoletion date is also noted. If we discontinue a product, after our records are closed and we feel there is no use keeping records of it in the shop any longer, or keeping records in the plant, we formally obsolete that particular device. That is what we call the obsoletion date, after the active records are removed from the plant. The record sheet, Defendant's Exhibit C-40, refers to a C nut warmer, the same nut warmer as shown in the photographs C-22 and C-23. That record shows that commercial production was started on the C nut warmer on April 2, 1932. The date February 19, 1933 indicates the date we withdrew from active participation the blueprints and records in the plant on the Model C nut warmer.

Q. Was there any material change or difference between the machine shown in the two photographs Defendant's Exhibits C-22 and C-23 and the commercial machine?

Mr. Orr: Objected to as calling for the conclusion of the witness. [142]

A. Substantially no.

Regarding any changes made between the commercial machine and the machine of the photo-

(Deposition of Eugene F. Martinet.)

graphs Defendant's Exhibits C-22 and C-23, the extra little leg shown in Defendant's Exhibit C-22 at the left hand side was left off subsequent machines. There was no major change made.

Referring to the reflector heating element, and also to the difference in handles for raising and lowering the heating elements, there was considerable work done in an effort to try to keep heat losses down as much as possible, to keep the outer part of this dome just as cool as we possibly could. There was considerable testing done along that line, and the final machines had the double dome affair so as to keep the heat on the outer dome down just as low as possible. And the handle on the original machine, rather the original drawing, wasn't very easy to handle, just a flat-iron type, and we went to this type as being much easier to operate. The machine shown in that photograph was the machine which was tested in December 1931. There was considerable experimental work being done on the paddle at that time, and the one in this particular machine was a hand made sample, that is, the shape seemed to be quite critical to turn the nuts over; we were doing quite a bit of experimenting, and I recognize this particular shape as the hand made sample here, which was later duplicated in the production machine, like shown in Defendant's Exhibit C-35. In that respect a commercial machine was different from the one shown in the two photographs. It was just a matter of the material the paddle was made

(Deposition of Eugene F. Martinet.)

out of. During experimental work we employed or used different reflectors or different heating elements at different times.

The patterns were made from working drawings that were made from the layouts that have been identified. I believe most of the working drawings were made by Max Fairaizl. Defendant's [143] Exhibits C-41 -1, to -13, inclusive, are the working drawings to which I have referred. Some of these were made by a man named Gray, who is no longer with us. I believe the greater percentage were made by Mr. Fairaizl. Those drawings were furnished to the Brost Company for the purpose of enabling them to make patterns. Patterns were made from those working drawings. Castings made from these patterns went into the machine shown in these two photographs. Those parts were assembled into that unit which we tested in 1931. Blueprints were destroyed by the Brost Company. These tracings never left our file. Blueprints were made and furnished to the Brost Company. These original drawings have been in our file since they were made. Regarding notations on some of the working drawings that they were void or obsolete, in some of them, probably the sections weren't strong enough or we changed the parts somewhat, and a new drawing was made.

Q. Did you make any new patterns to go into the commercial machines, have any new patterns made to go into use with the commercial machine?

(Deposition of Eugene F. Martinet.)

A. Not that I recall. There might have been a few minor alterations made, but I don't recall any new patterns having been made. Wait a minute. There were some duplicate production patterns made, let's put it that way; but the production castings weren't made from these patterns, understand.

Q. Let's get that straight. The castings of the commercial machine weren't made from these patterns?

A. The machine shown in the photograph was, being the first machine built. As we got into production, I believe there were some metal patterns made as duplicates of these for production.

We got into commercial production as soon as practical after we had tested the machine. Whatever delay there was, was due [144] to making these metal patterns I spoke of. In other words, in order to make a run of three or four hundred castings they wouldn't be made of the cheap wood experimental patterns. Regarding similarity between the Kelly patent 1,945,196 and the patterns or the photographs, outside of some very minor changes, they are duplicates. Referring to Fig. 7 of the patent and to the pattern 134-A, Defendant's Exhibit C-24, referring to the part that holds the turn-table, they are duplicates. As to other parts on the patent drawings which I can identify with the parts shown in the photographs, the reflectors are the same; the switch housing and switch is the same; the handle and the reflector casting support are the same; the

turn-table is substantially the same. Referring to the part at the bottom of the post to which the turn-table is attached and the part which holds the glass vessel and comparing them with the similar parts of the patent, Figure 1 shows substantially the same machine as the photographs. Exhibits C-42a to bb, are working drawings of all the various parts that were used in the final commercial production machine. These drawings have been in our file since they were made, are in the same condition as they were when they were placed there, and were removed for the purpose of this case. The machine shown in the two photographs Defendant's Exhibits C-22 and C-23 comprised a base housing, a nut receiving means upon the base being open at the top thereof to give access to the nuts contained therein, a stationary heating means mounted upon the housing in spaced relation to the nut receiving means, and means for rotating the nut receiving means with reference to the heating means. There was a motor within the housing for rotating the turn-table. The top of the nut receptacle was open for permitting the introduction and removal of nuts while the machine was in operation. The heating means embodied means for varying the degree of heat applied to the [145] nuts.

The invoice of January 2, Defendant's Exhibit C-32, indicates that the machine shown in that photograph was built prior to that date. We would not have billed for a machine that we hadn't completed and tested. The machine was tested before it was

(Deposition of Eugene F. Martinet.)

billed. The detail tests and a lot of the detail work was done by two of the boys in my department, and the final check tests I believe were made before Mr. Graving and Mr. Kelly. I was satisfied with the operation of the machine in those tests. Mr. Kelly was also satisfied.

Defendant's Exhibit C-36 bears the date in pencil December 11, and shows the motor drive for the apparatus. From the records which I have access to, I am able to state definitely and positively that the year was 1931.

The drawing Defendant's Exhibit C-35 bears the date, February without giving the year. From my knowledge of this matter I am able to state that the year was 1932, because all of this work was done within a few months of each other, and the month of February could have only been the following year from the date the work was originally started on this nut warmer, which was 1931.

When the detail drawings are made from the layout, experimental patterns are made, and the tracing bears the experimental number, as long as it has only been released for experimental pattern. After an experimental machine is made and proven to be satisfactory, those drawings that are still active and are to be used in the production machine, those drawing numbers are then changed to the numbers that the production machine will take. Every appliance that we build takes a thousand group of numbers, and what happens to be as-

(Deposition of Eugene F. Martinet.)

signed to this was a 40,000 group of numbers [146] I don't mean serial numbers; I mean part numbers. The working drawings which bear the 40,000 serial numbers were for production purposes. Those bearing the E-number were experimental drawings; they were drawings that were either revised somewhat and weren't used in production, or they were experimental drawings. Some of the experimental drawings and patterns were used in production. [147] Those that were used were changed to the 40,000 series. The records show 101 of these Model C nut warmers were made. I believe this machine in the photograph was considered as the No. 1 machine.

Cross Examination

By Mr. Orr

Referring to the two photographs, Defendant's Exhibits C-22 and C-23, I identify that as being the first machine which we made because of some differences in the succeeding machines; that is, this little foot wasn't on the succeeding machines; there was a little difference in the base when the first machine was made. The work of building the first machine was undertaken, as far as I know from the way I was asked to render the invoice, on a cost basis, that is, we were to bill the Nut Products Company for the cost of developing and building this machine with the idea of getting a succeeding order for the production machine. It was undertaken as an experimental job. We did not make any guaranty the machine would work when produced. I think we

(Deposition of Eugene F. Martinet.)

would have billed Mr. Kelly because Mr. Kelly came out there with certain ideas in mind of what he wanted done. Now we offered to build this machine in accordance with the ideas he had and bill on the basis of our cost. Now, naturally we did everything we could to make the machine just as satisfactory as possible, but I don't believe there would have been any question in any event whether the machine would have been satisfactory or not.

I can state definitely that the invoice was not rendered until after the machine had been completed and found satisfactory because we at that time ran tests and found it satisfactory, and hadn't made up the invoice until the machine had been so found. To my knowledge, we made no other charge for the work than the one that appears on this invoice. Experimental work continued in connection [148] with this nut warming machine shown in the photographs Exhibits C-22 and C-23 until October or in November; that would be to the best of my recollection at this time, of 1931. This machine shown in the photograph Defendant's Exhibit C-23 is shown in the same condition that it was at the time that we first built the machine. There were some changes which were subsequently incorporated in the commercial machine. There was a model ahead of this that was built with this. This machine, I believe, had a different type of handle on here, before this photograph was taken, that was not used. Outside of that I don't believe there is anything else.

(Deposition of Eugene F. Martinet.)

The Model A and the Model C are the only machines we ever manufactured for Mr. Kelly. Referring to the serial number record in reference to the item entitled "Nut roaster", indicated in the third column "Started 6-8-31—ended 2-29-32"; those dates signify this was the first date the model A nut roaster was constructed. The date "4-2-32" appearing after the item marked "C Nut Warmer" is the date the first production machine went through our [149] assembly department and was stamped with its serial number. That has no reference to the experimental machine. We have no record to indicate when that experimental machine was completed. My statement that it was completed prior to the date of this invoice, Defendant's Exhibit C-32, is not a matter of my personal recollection; it must be a fact because of the hours that are presented and all of the complete information that is on that invoice. It would have been pretty difficult not to have the completed machine to render an invoice unless I know exactly how much time was put into it. It is impossible that it may have been an invoice for work which has been completed to that point and a subsequent invoice sent out for further work.

Referring to the group of drawings which were marked C-41, and particularly to the one entitled "Aluminum casting EXP PATT E-134", the markings in red upon that drawing indicating the word "Void" was put on there because we decided not

(Deposition of Eugene F. Martinet.)

to use a base of this particular shape; it was never used. That was a drawing that was made for the purpose of developing the experimental machine. The date of that drawing is 12-29-21, and the notation is it was never used. In reference to another drawing of that group bearing number 40701, on which also appears the notation "Never used on production. Obsolete. Void." it is explained that there was some thought of having some extra bowl supports spaced around the machine so you could have more than one bowl at a time. The idea would be one rotating bowl and one or two stationary bowls. This was one of those castings. That drawing was one of the drawings which we had made in the course of the experimental work, but the particular part was never made or used.

Referring to another one of the drawings of that group [150] bearing number 40703, which bears in red the notation "Void. Obsolete.", that is a casting that that same casting would have bolted to if it had been decided to make the production machine that way. The notation in black lead, "See new drawing, same number, of 12-29-31" indicates that there was a re-designed part of some type to take the place of this. During this experimental work, several different types of patterns and castings were made during the progress of the experimental work, and when it was seen that that type of casting wouldn't do, the drawing was immediately voided and put aside. Then a new part was re-designed or it is entirely eliminated. In the case of this par-

(Deposition of Eugene F. Martinet.)

ticular drawing 40703, the fact that it is marked "Void", would apparently indicate that the part had been found unsatisfactory and another one substituted for it.

Referring to another drawing, also bearing the number 40703, and which also bears notations "Void. Never used on production. Obsolete", I believe the reason for this drawing being superseded is that there wasn't thread enough in here to firmly fasten the extra bowl supports; consequently we were stripping threads, and we made the change to give us a longer thread to more securely bolt the supports in place. The part shown in the first drawing 40703, which is dated 10-12-31, was supplanted by a different part shown in the drawing of the same number but dated 12-29-31. That date indicates the date of the new drawing. The lay-out may indicate the date the change was made; I don't know.

Referring to another drawing of the same group bearing the title "Aluminum casting. Exp. Patt. E-131", which bears the notation "Void. See new drawing 40047 of 2-22-32". I cannot explain that notation unless I checked through the new drawings. There was apparently some change made, this casting was apparently found [151] not satisfactory for a production casting, and when we made the new pattern we undoubtedly made some changes It may have been the motor ventilation wasn't entirely satisfactory or the method of casting wasn't

(Deposition of Eugene F. Martinet.)

entirely satisfactory; I have no way of knowing until I check through.

Q. That indicates a change was made of 2-22-32?

A. Not necessarily a change. The casting may have been changed in wall thickness, because of some trouble in casting, or other minor changes to enable production castings to be made easier.

Q. Does a change in thickness involve a change of design?

A. Well, it all depends; it is a matter of how you define the word "design".

Q. In other words, the part made from the new drawing would not be identical with the part made from the old one?

A. They may be interchangeable, but they may not be identical.

Q. If they were identical what would be the purpose of the new drawing?

A. That is right.

In reference to the notations "Obsolete. Void. Never used on production" appearing upon the drawing bearing the title "Aluminum casting. Exp. Patt. No. 133", bearing date of 12-24-31, I can only again state the same thing I did on the other one. For instance, here is a dimension or a very slight change to have this dimension increased 1/16", probably some trouble in machining or something. Without going through every dimension on here, I can't [152] tell you exactly why this may have been voided. Understand, may be this will help answer

(Deposition of Eugene F. Martinet.)

some of these questions: when a thing is made experimentally, things like limits and particularly casting difficulties, and some times various strengths aren't taken into the full consideration they are when we get ready to tool up and assemble. We may have found things that may have caused difficulty in production, consequently the drawings were very carefully gone over and in a lot of cases new drawings made to facilitate production at a later date.

In each case where the drawing bears the mark "Void. Obsolete", it indicates a change had been made and a new drawing made substituting the part.

Referring to another one of the same group of drawings bearing the title "Aluminum casting. Pattern 40703-O" there is a notation "Void. See new drg. Same number of 3-3-32", we may assume from that notation that a change was made as of 3-3-32; at least that is the date the new drawing was made.

Referring to the cards of the group offered in evidence as Defendant's Exhibit C-39, and particularly to the one relative to the part named "Bowl holder casting", the card bears notations under dates of 10-23-31, 11-2-21, and then 12-21-21. 10-23-31 shows the date that it was formally put into the files of the Brost Pattern Company, who kept the pattern in their files for a while. 11-2-31 shows a small change was made, a minor change that was made on this pattern. At 11-2-31, the same date,

(Deposition of Eugene F. Martinet.)

after that change was made, it was noted as again put into their files. Then at 12-31-31 there was another minor change made on the leg length, and on the same date it was again noted as being at the Brost foundry. As to the notation there of 12-31-31 that the length of the leg was increased 5/16", and whether or not that machine as shown in [153] the photographs Defendant's Exhibit C-22 and C-23 includes the part before or after it was changed. I have no way of knowing, no way of telling from the photographs. I would say that at that time on 12-31-31 we had made the one complete machine and probably half a dozen parts of others that we had been doing testing work on. The 2-18-32 date appearing on the card bearing part number 40703 and also the pattern number E-134-A indicates a change. 6-17-32 date indicates that it was the time we no longer figured there would be any more castings made from that pattern, and it was brought into our plant for filing.

Redirect Examination

By Mr. Chilton

I cannot say definitely that we had any understanding with Mr. Kelly we weren't going to bill him until this machine had been tested and approved. The work we had done had always been billed after completion and a satisfactory machine had been built. Any of these pattern cards or drawings which bear a 40,000 series number were made

(Deposition of Eugene F. Martinet.)

after the completion and testing of the machine shown in the photographs. Any changes which were made in the production machine as distinguished from what has been termed an experimental machine did not involve any changes in the operation of the machine from that shown in the photographs. It is likely that there may have been changes in the patterns after the machine was tested.

Referring to Defendant's Exhibit C-20 and C-22 and particularly to the circular in which appears the words "Nutmaster Model C" I would say it was the identical picture.

ARTHUR COLLIER,

a witness called by defendant, being first duly sworn, testified as follows: [154]

Direct Examination

By Mr. Chilton

My name is Arthur Collier; age, 40; residence, 1269 East 115 Street; occupation, draftsman with the P. A. Geier Company. I have been with the P. A. Geier Company ten years next month. I am chief draftsman, and held that position in 1931. I have met Mr. William W. Kelly several times. I think the first time I met [155] Mr. Kelly, he was brought to my drawing board with Mr. Geier and Mr. Martinet to discuss this machine, the nut warmer. They

(Deposition of Arthur Collier.)

were discussing details of the nut warmer. I wasn't in the discussion at all. As far as I could know at that time the Geier Company was to make a nut warmer for Mr. Kelly. I didn't see any sketches Mr. Kelly had with him at that time. I received my instructions from Mr. Martinet. First of all I was given a rough, free-hand sketch with the principal details that was required. Defendant's Exhibit C-21 is a drawing of what we termed the nut roaster. The Geier Company manufactured that machine. This is a production drawing.

Q. Now, when you speak of your first meeting with Mr. Kelly was it in connection with this machine you are speaking of at this time?

A. I could n't answer that definitely, whether it was or not. There were two machines; this one was the first machine. This was called the nut roaster, Model 36. There was a Model A machine in the other type. P. A. Geier Company made that machine shown in the two photographs, Defendant's Exhibits C-22 and C-23. This machine, I think, was the Model C. Mr. Kelly did not consult with me regarding this machine, Model C. I received my instructions from Mr. Martinet primarily. The Geier Company produced this Model C machine. I did not make any actual part drawings; I made the layouts. I made all of these drawings, Defendant's Exhibits C-33 and C-34 and C-35 and C-36.

Exhibit C-33 is the drawing of the nut warmer; it is one of the preliminary layouts. This wouldn't

(Deposition of Arthur Collier.)

be termed Model C; this would be the earlier model, I would say preliminary to Model C; it might have been from another model, prior to Model C.

The drawing Defendant's Exhibit C-36 is a drawing of the [156] power unit of the Model C nut warmer. I made that drawing. This drawing bears date in the lower left corner, Friday, December 11, 1:00 p. m. The purpose of putting the time of day in there was that in this particular case it was a job for a customer where we had to keep the time so that he could be charged with that, and that is the only reason for that. From the records I have seen I am able to state that the date on this drawing C-36 was 1931, because the preliminary layout has the year marked on that, and the following layouts are all in numerical sequence.

The significance of the numbers 137, 138, 147, 148 and 149 is just for an index for my own convenience to quickly locate any layouts which we may need. After these layouts were made, I gave freehand sketches of the complete dimensions to the draftsmen working for me, and they completed those drawings and they were turned over to the pattern maker and the tool department to fabricate the tools required for those parts. Mr. Fairaizl was one of the draftsmen at that time. There was also a Ralph Gray.

Referring to pattern Defendant's Exhibit C-27, I find the drawing of that part on Defendant's Exhibit C-36. It is a housing for the worm gear. Re-

(Deposition of Arthur Collier.)

ferring to Defendant's Exhibit C-36, I think the Brost Pattern Works made that pattern.

Referring to pattern Defendant's Exhibit C-31 and drawing Defendant's Exhibit C-33 I find on that drawing a part corresponding to that pattern. The casting for this part is fastened to the central pillar which is used as a support for the bowl. It appears in drawing Defendant's Exhibit C-34 in a slightly different form.

Defendant's Exhibit C-35, contains a disclosure of what appears to be a paddle or stirrer. The structure shown in that drawing was not used on the first machine we built. In the first machine we built, I think the paddle was just hand formed. As far [157] as I can see, the photographs C-22 and C-23 seem to be the photographs of the nut warmer that we had in production. I don't think that is a photograph of the first machine that was built. For one thing, we had a handle—I think it is shown in one of these layouts here—the first machine we built we tried to adapt the handle we had in production on some other patterns, which was this type right here, shown in the drawing, Defendant's Exhibit C-34.

I would say the machine shown in the two photographs was completed about the first part of 1932. That machine was tested. There was tests made in regard to the heating unit; also as to the paddle turning over the nuts correctly; also the motor drive, to see whether it was strong enough. Nuts

(Deposition of Arthur Collier.)

were placed in the machine and toasted. I was present during the time they were going on.

I did not have anything to do with the billing or making up the data for billing, or with the records such as Defendant's Exhibits C-38, or with the pattern cards.

Defendant's Exhibit C-24 is the pattern of the casting of the base that holds the drive to the motor, the housing. The number impressed on the bottom of that pattern is E-134-A. Brost Pattern Works made castings from these patterns such as I see on the table here. We assembled a machine having a driven receptacle and a stationary receptacle. I cannot say definitely whether we assembled the machines with three on there or not; but there were provisions made for three. In this machine shown in photograph C-23 that right hand vessel could be removed and a leg put in its place. That reflector appears to be of the ventilated type such as shown in Defendant's Exhibit C-33. As to whether we tried out other types of reflectors on that post, I wouldn't say; there was just a little difference in the construction, I think the general principles were the same. The first machines, I know, didn't have any ventilating [158] holes around; later they were added due to trying to dissipate some of the heat.

Comparing the machine shown in the Kelly patent 1,945,196 with the machine assembled at the Geier plant and referring particularly to Figure 1

(Deposition of Arthur Collier.)

of the patent drawings and to photograph C-23, I would say they were identical with the exception of just little minor changes in the paddle construction. Figure 2 of the patent drawings and the large sectional view shown in the Defendant's Exhibit C-33 are practically the same with the exception of our layout shows a little ruby light up there. As far as I can see, that is the only difference.

The first machine, experimental machine, I would call it, was built, I would say, approximately in December 1931. In the general principles we were satisfied with it. There were minor changes made later. The very first machine that was made didn't have a power unit, or there was no provision made for that. Then in the production machine we had the power unit. The one shown in the photograph, however, has a power unit.

The only changes I can see here, that our production machine had a cast paddle, rather than this form paddle, which is a little different construction as shown in Defendant's Exhibit C-35.

The machine shown in the two photographs comprised a base housing having an apertured top. It included a motor within the housing, a shaft driven by the motor, and a nut receptacle arranged within the apertures and driven by the shafts. The top of the receptacle was open for permitting the introduction and removal of nuts while the receptacle was being rotated. It included means for heating the nuts contained in the receptacle, and means

for varying the degree of heat applied to the nuts. The heating means was mounted upon the housing or post in spaced relation to the nut [159] receiving means. It included means for simultaneously rotating the nut receiving means relative to the heating means.

Defendant's Exhibits C-41-2 and C-41-11 and C-41-10 are production drawings for the Model 40,000 nut warmer. For indicating the experimental drawings, we used a different number entirely, preceded by the letter E. The reason for the red notations on two of the prints reading "Void" or "Obsolete" is that this first drawing was made up and then we found that we had to make other changes or improvements and the next drawing obsoleted the first one. And the same way with the second. That is the reason for those; they were just superseded by later improvements.

Record sheet Defendant's Exhibit C-40 is a record we keep when we made our first machine and the last machine. It is a complete record of all the serial numbers of the machines made. It indicates how many of the Model C machines were made. The first machine was 101 and the last machine was 202. First production was 4-2-32 and the last date was 2-19-33. I couldn't answer definitely that that refers to the machine shown in the two photographs C-22 and C-23. As to how soon after completion and testing of the experimental machine we got into com-

(Deposition of Arthur Collier.)

mercial production, I would say approximately three months.

The notations appearing on Defendant's Exhibit C-32, "100 hours time by Mr. Collier designing and checking", indicates the time charged by the company for my time spent in designing and laying out this particular model. I would not say that included my total time on the Model C experimental machine. That time was at spaced intervals extending over three or four months. That record indicates also that Mr. Fairaizl had put in 83 hours over spaced intervals also, over the same period of time.

Cross Examination

By Mr. Orr

There is a mark on Exhibit C-34 which says "Preliminary [160] lay-out". The date on that one is 9-23-31, 2:00 p. m. The 2:00 p. m. is the hour when that job was started. It does not indicate the time it was completed.

In reference to this drawing Defendant's Exhibit C-33, work on that drawing started 10-6-31. That date indicates the time the work was begun on this particular layout.

Q. Was a machine ever actually built in accordance with the design shown in the drawing Defendant's Exhibit C-33?

A. Yes.

Q. Embodying all those details you see in there?

A. I wouldn't say every detail, no.

(Deposition of Arthur Collier.)

Q. Were the working drawings from which the machine was made taken from this lay-out marked C-36?

A. The production drawings were taken partly from this and partly from the other drawing.

Q. How about the first experimental machine you have referred to, from what lay-out was that produced?

A. That I couldn't say definitely; it could be a combination of all of them.

So far as those photographs show, there might or might not be a power unit within the base. In the construction of that original machine the lay-out was complete before we made any of the parts. We made changes from time to time in the course of construction. It was approximately two months from the time we first undertook to make the preliminary lay-out until the time we had the first machine assembled.

Exhibit C-40 indicates a starting date of 4-2-32 upon which the first machine was built, which would be about three months after the completion of the first experimental machine. [161] Referring to the drawing Defendant's Exhibit C-36, the notation "December 11" indicates that was the time the work on the preparation of the layout was started. That drawing was completed before the parts shown in the drawing were made. The detail drawings were made from this layout and then the patterns made from the detail drawings. Those detail draw-

(Deposition of Arthur Collier.)

ings probably followed within a few weeks of that date; and then the parts would be made following the completion of the patterns. The particular form shown in these two photographs C-22 and C-23 was completed, I would say, about midway between all the layouts; I think possibly about December of '31. I never made a complete layout of the production machine or of the first experimental machine of this type of machine. There was no complete layout made of anything in this. In a way, the work of constructing that first experimental model was a matter of cut and try until we got something to approximate our purposes. The entire undertaking was a matter of experimental work, and was so treated by our organization. [162]

Redirect Examination

By Mr. Chilton

All these drawings covered a period of several months, starting with the date of the preliminary layout; 9-23-31, 2:00 p. m. The drawing C-33 was started apparently on 10-6-31, and completed I would say about three weeks later. Drawing C-36 was completed in approximately the same period of time; it wasn't completed until approximately three weeks after December.

Defendant's Exhibits C-41-1 to C-41-12 are working drawings but not production drawings. Drawing C-41-2 is a working drawing of a part disclosed in C-36. The date is 12-19-31. As to the date on the

(Deposition of Arthur Collier.)

drawing C-41-2, usually on such a drawing they put the date it was completed, and that would indicate the completion date. It was not three weeks after drawing Exhibit C-36 was completed that the working drawing C-41-2 was completed. As we proceed with the layout drawings, we didn't wait until the layout is complete to start the drawings; we do what we can on the thing. In this case we went ahead and we had these parts in process so there would be no unnecessary delay. I think there is a possibility that there were working drawings completed shortly after the date of December 11, 1931, showing parts disclosed in Defendant's Exhibit C-36. This drawing C-41-2 indicates that that is the fact.

The drawing C-41-9 is the gear case that attaches to C-41-2. The part disclosed in that drawing appears on Defendant's Exhibit C-36. The date of that drawing is 12-22-31. The date of the drawing of C-36 is only shortly after December 11, so that there were actual working drawings completed between December 19 and December 22, 1931. The Brost Pattern Works sent us some castings before the patterns were turned over to us.

Q. Do you have any independent recollection as to whether or not there was a power unit disposed in the base of the machine [163] illustrated in photographs C-22 and C-23?

A. I would say yes.

(Deposition of Arthur Collier.)

The parts appearing adjacent the upper edge of the pyrex dish or glass dish were used at that time to act as a driver for the glass bowl. If it didn't rotate, there would be no reason for that. The part that appears to be cut away on drawing C-22 I think is called the bowl driver casting. It serves the purpose of rotating the glass bowl. The P. A. Geier Company isn't a jobbing shop. It [164] is a big four-story building adjoining the two story building. It covers more than an acre. They don't generally make a practice of doing a jobbing business.

Recross Examination

By Mr. Orr

I wasn't present when these photographs were taken; and I couldn't definitely say when they were taken. Referring to the particular machine shown in those two photographs, and in stating the presence of an element, I answered that on the fact of the switch being there indicated the different temperatures. I believed because there was a switch there, there was also a heating element, but there is nothing in the photograph to indicate the presence. The photograph doesn't show these elements. The slot which appears at the left hand side of the photograph C-22 is part of the base casting. A slot could be there without the motor. The part referred to as being supplied for the purpose of rotating the bowl is a cast member. The appearance of that member could be the same in the photograph

(Deposition of Arthur Collier.)

whether or not there was a motor mounted in the base. The two screws which I discerned by using the magnifying glass are applied for the purpose of attaching the casting to the inner side of the main base casting. If there was no motor in the base casting there would be no sense for screws, but if the casting was there and the motor was not there the appearance would be the same. It could be without the motor and still show the screws. The card identified as C-39-1 is the pattern card which corresponds with the pattern number 134-A. An entry on that card C-39-1 is "2-18-32 pattern and two core boxes altered and pattern number changed to E-134-A, cost $9. Altered by Brost." As to whether or not the base casting appearing in the two photographs C-22 and C-23 was made from the pattern Exhibit C-24, No. 134-A, before or after that alteration, I don't just definitely know what [165] this refers to, unless I consulted the drawing. Evidently there is a change from this pattern to the one shown on the photograph in this rear portion which the photograph doesn't show, so that could possibly be that change. The base that is shown in the photographs Exhibits C-22 and C-23, was not the base that was ultimately put in the production machine. During the progress of my work on the layout, some of the detail drawings were made up. That accounts for the presence of so many of these drawings bearing the words "Void", "Obsolete". The ones that are marked "Void" and

(Deposition of Arthur Collier.)

"Obsolete" are probably from the earlier layouts; that is, changes of the draftsman in the later layouts, when again the drawings automatically become void.

Redirect Examination

By Mr. Chilton

My recollection of the machine is that it did have a motor in the base and had a reflector or had a heater element in the reflector. I couldn't positively say that this particular machine shown in the photographs had that in it. The motor-driven machine made and tested had those parts.

Recross Examination

By Mr. Orr

By my statement that the machine was made prior to the alteration of the pattern Exhibit C-24, I meant to refer merely to this base casting.

Redirect Examination

By Mr. Chilton

I couldn't say definitely that the machine was tested prior to this change. All indications show that it was built prior to that change.

HAROLD C. McMULLAN,

called as a witness by defendant, being first duly sworn, testified as follows: [166]

Direct Examination

By Mr. Chilton

My name is Harold C. McMullan; age 44; residence 2472 Fenwick Road, University Heights; employed by Euclid Commercial Studio, Inc., 1810 East 30th; commercial photographer is my occupation. I took a picture of a nut warmer for the Nut Products Company. I took the pictures Defendant's Exhibits C-22 and C-23. These two were made at different times. The one on the left, C-22, was made, according to our work order record, Defendant's Exhibit C-43 on January 8, 1932. Mr. Graving was the gentleman who brought the work in. That order has been in my files since it was made. It was removed for the purposes of this case. I received that order on the date it bears. I took the picture the same day, at our studio, then located at 6810 Euclid Avenue. The print C-22 is the print for the picture for which that is an order. That print was delivered to Mr. Teachner. The original print was delivered to Mr. Graving. The purpose of having this picture was for sales and advertising, I believe, at the time, as near as I can recall. I am sure it was, now that I look further at the order, because I recall of him saying that he wanted to have some prints that would stand up under sales usage, and he asked me at the time to put the linen back and hinge on,

(Deposition of Harold C. McMullan.)

which we had in case of sales portfolio, or salesmen's work. In Defendant's Exhibit C-20, the picture appearing in the upper portion of the page, labeled, "Nutmaster Model C," is a reproduction from the same photograph C-22. It undoubtedly was made from one of the two glossy plain prints he secured at the same time he secured the dozen linen backed and hinged prints for salesmen's portfolio use. The highlights and shadows in the print indicate that cut was made from the photograph. I did not have anything to do with this cut. I have the negative of which that is a print. There is no mark on the negative indicating that it is [167] connected with that shop order, but there does appear on the envelope the date. At that particular time or in that particular period of time we did three separate jobs for the Nut Products Company; one was in December, the other was in January and the other was in February, that is, December, 1931, and January and February of 1932. And this one being in January, we only have one work order in the month of January, the one I just submitted there, and there is no question in my mind but that is the work order for this particular negative. I have the work order for the print C-23. That order is dated February 4, 1932. At the time I made the C-22 Mr. Graving explained in a very short period of time he would have the castings available, so on and so forth, for the assembly of a more developed model which would require two dishes of nuts, he would

(Deposition of Harold C. McMullan.)

have to bring some more nuts over at that time to take care of it. We held the nuts there, I recall, for the period of time between the two shots. This work order, Defendant's Exhibit C-44 for photograph of which C-23 is a print has been in our files ever since it was made. Both the work orders are part of our records and in our files.

Cross Examination

By Mr. Orr

I have taken photographs for the Nut Products Company of other machines before this time. I don't believe there was any job later on our records. I didn't check that definitely, but I don't believe there was any other job made after February 4; although we did have some billings after that time; made some prints from the negatives in the files. I have no recollection other than it is refreshed by that notation I referred to. I made the photograph on the left hand side of the circular Defendant's Exhibit C-20. According to this the name of the machine is "Nutmaster Model A".

Redirect Examination

By Mr. Chilton

Referring to the figure appearing at the left hand side [168] of circular C-20, if this is the print of the negative that is in the file out there, I believe it is, at the time we made this in December there was some model photographs made with the lady and a girl working one of these machines in various

(Deposition of Harold C. McMullan.)

poses, I think two or three different poses we made of the young lady, and then we made a disassembly or knock-down view of the machine at that time. [169] That is all covered on work order which I examined this morning in looking through for these work orders. That is covered and those negatives are in one envelope under the same date as the invoice, for the date of December, 1931. As far as my recollection goes, it is the same photograph as this, but I will not make an absolute statement without taking my negative out of the file and checking it with this photograph. As I recall, I believe that the Nut Products Company had some other photographs made at or about this time by some other photographic house, and this (indicating left hand picture on circular) may be something similar to mine, and still mine not be the same thing. These particular prints which are here before us marked Defendant's Exhibits C-22 and C-23 were made within the past week.

WILLIAM E. GRAVING,

a witness called by defendant, being first duly sworn, testified as follows:

Direct Examination

By Mr. Chilton

My name is William E. Graving; age, 39; residence, 2050 East 81st Street; occupation, salesman.

(Deposition of William E. Graving.)

I was associated with the Nut Products Company the latter part of 1929 until the bankruptcy, which was the latter part of '33. I was on the board of directors and in charge of sales, and also you might term the assistant to the manager or president. I know Mr. William W. Kelly. Mr. Kelly was a stockholder of the company.

The type of nut warmer first distributed by the Nut Products Company was what we called our Model A, which we jokingly referred to at times as the "concrete mixer". Defendant's Exhibit C-21 discloses that Model A machine. That machine was originally made by Cook Electric Company, although this blueprint here is one that was made by P. A. Geier & Company. P. A. Geier Company made for the Nut Products Company a machine known as the Model C Nut Warmer. [170] That nut warmer is disclosed in this circular, Defendant's Exhibit C-20 in the middle page at the top. The Model A we had first a slight production, I think, in the very first part of '31. Referring particularly to P. A. Geier Company's production of this machine, I should say that was the first part, the middle part of '31, possibly. The drawing, Exhibit C-21 bears a date 4-16-31. That would indicate that P. A. Geier Company was in commercial production at that time. The cost of that Model A machine was between $65 and $70, I think. We had too many places to put these machines. In the smaller stores we didn't feel we could place them there on account

(Deposition of William E. Graving.)

of the expense; so we tried to figure out a cheaper machine for the smaller stores, where their turnover didn't permit the use of the large machine. We first figured out a pyrex dish machine whereby the nut meats were in the pyrex bowl and the heat from the top, the reflected heat, would heat the nut meats.

Exhibit C-32 shows our first attempt at just a stationary bowl with the nut meats, and had a light at the top to attract attention, merely an advertising display. Exhibit C-33 is an attempt at an improvement on the other by having a multiple display, as much as two or three, whatever the size of the store would require. I didn't know the name of the man who did the drawing, except they were in the jurisdiction of P. A. Geier Company. Mr. Martinet, the engineer, was the only man I had contact with at the P. A. Geier Company, outside of the officials.

Exhibit C-36 is the rotary turn-table whereby the pyrex bowl containing the nut meats would revolve, and it was our first attempt at actually making a toaster out of the machine as well as a heater and a display. I don't know who made the actual drawing. Exhibit C-35 is a further attempt to improve the machine with reference to the mixer or stirrer, so that the nut meats would all have an equal amount of heat at all times, and when they were dispensed from the machine, they would lift the heater and [171] the blade or stirrer at the

(Deposition of William E. Graving.)

same operation. Referring to the photograph Exhibit C-22, this was previous to the improvement; it was what you might term a rough hand made stirrer, and it was previous to the time when we worked out the mechanism so that the heater and the blade could be lifted all at the same operation, and also before we devised the little finger which slipped over the inside of the bowl, which would act to not allow the nuts to slip in the bowl, and instead of slipping, would revolve with the action of the bowl.

I went to the Geier Company with Mr. Kelly checking up on the progress they were making with reference to the improvements we wanted and with reference to speeding up production, or rather speeding up getting them into production. I ordered photographs made of this Model C machine by the Euclid Commercial Studio Company on Euclid Avenue. I am able to identify these Photographs Exhibit C-22 and C-23. I ordered those prints made. Exhibits C-43 and C-44 are invoices for the pictures taken of the toasters Model C. The invoices or orders are dated one Jan. 8, 1932, and the other Feb. 4, 1932. I am not sure which of these prints was made first or which of the pictures was made first.

Referring to C-22, that machine was completed some time during the month of December, 1931. It was completed to the point where we had the machine and tested it out in the store. I was present at tests that were made on the machine at the Geier

(Deposition of William E. Graving.)

plant. The final test was the actual placing of nut meats in the machine, and I recall the tests very clearly. We placed raw nut meats in the bowl. I set the thing in operation and left them in there until they were really colored a dark brown, and then I checked them for evenness of toast or roast and found they were all practically uniform. This machine actually roasted nuts as distinguished from a mere warming up operation. We were satisfied at the time. Of course you are never really satisfied with a machine, [172] you are always trying to make improvements, but we were satisfied it had been made according to our own plans in so far as the P. A. Geier Company was concerned. That machine which was operated and tested at the Geier plant comprised a base housing having nut receiving means rotatably mounted upon the housing. It had a motor within the housing, and a shaft driven by the motor. The nut receptacle was arranged within the housing and driven by the shaft. The top of the receptacle was open to permit introduction and removal of nuts while the receptacle was being rotated, and included means for heating nuts contained in the receptacle, and means for varying the degree of heat applied to the nuts. It embodied means for agitating the nuts while the receptacle was being rotated. The first machine which I took to the photographer embodied two vessels. Those vessels were detachable from the base of the machine. You could remove this base at the

(Deposition of William E. Graving.)

left hand side of Exhibit C-23 from the apparatus, or you could add the third one. The Nut Products Company was in a hurry to get this machine. After the completion and testing of the machine at the Geier plant they went into production of a commercial machine in thirty days, I should imagine. The purpose of having photographs taken of the Model C machine was to sell our customers and prospective customers on the advantages of putting in our machines, so that we of course could further our sale of nut meats. This circular Exhibit C-20 was printed by the Triangle Printing Company, and I remember it as being approximately two months after the completion, that is, two months after December '31. We did not have that circular before we got into commercial production on the Model C machine. Exhibit C-32 is a copy of an invoice received from the P. A. Geier Company when they had completed all the working drawings and work connected with getting the Model C machine ready for production. It is dated January 2, 1932. Our finances at the [173] time were limited, we had a close working arrangement with P. A. Geier Company, and they undertook to produce this machine at the lowest possible cost, and if I remember correctly, the arrangement was that they would hold it down to the rock bottom, material and labor plus 10% to cover little discrepancies and a small margin of profit. They would not know how much to bill us until they had completed the

(Deposition of William E. Graving.)

machine. The machine had to be satisfactory before it was to be delivered to us. This invoice which you have shown me does not cover the entire cost. As the machines were delivered to us there were additional invoices covering individual machines.

Cross Examination

By Mr. Orr

This was the only bill which we received for work upon the experimental machine. As far as I remember, we weren't billed for any work done on Exhibits C-33 and C-34, but I am not perfectly certain with regard to Exhibit C-34. It is possible we received a bill covering work on that. While I was in the employ of the Nut Products Company, I was there actively in their employment at the time when these machines were being experimented on and I was, you might say, the second most interested person in their development, and saw all bills that came in, but I have made no check-up on these bills. I cannot say now whether there was a bill rendered on any of that work.

A machine was built in accordance with either of the two drawings C-34 or C-33. As to whether we received a charge for that model, I don't remember definitely, but it is in my mind it was included in those charges, but I may be wrong on that; there may be bills; I don't know. As to the models shown in Exhibits C-33 and C-34 we started calling them Model C at once. It is absolutely not

(Deposition of William E. Graving.)

possible that the invoice covers the work on [174] producing the earlier models rather than the later ones. I recall that invoice very well because we didn't anticipate the charges to be as large as they were and we had quite a session first among ourselves and then with the P. A. Geier Company with regard to the charges, and we thought they were rather large. Therefore it impressed itself upon my mind more than an ordinary bill would.

The photograph Exhibit C-22 that I am looking at now was the forerunner of the last Model C, the improved Model C, and I think I am safe in saying that was completed, I would say, the first part of December, 1931. In stating that this particular machine which is shown in the photograph had a motor, I am certain of that statement due to the fact that I myself personally lugged the thing down to the commercial studio; it was heavy. I can see also, if I had forgotten that, the electrical connection for the motor. In this machine, when the nut meats were to be placed in it or to be removed, we merely lifted the reflector up and stopped the motor; or if the operator didn't mind taking a chance of burning her fingers, she could remove the nut meats while the machine was in motion. We recommended the top part be lifted up to give more space to remove the nut meats and it would not be necessary to stop the motor. The separate platform is an additional platform for storage out of the way. Possibly you might be toasting pecans in the active

(Deposition of William E. Graving.)

bowl, and these had already been toasted; these were mixed nut meats; they could be sold in addition to the item which is here. The intention of the second and third bowl was display of other nut meats. They could be used for that purpose; the pyrex bowls could be interchanged. It was not the idea to remove the one from the heating position over to the other when the heating had been obtained, because there wouldn't be any use to it, inasmuch as the nut meats would necessarily cool anyway, and the whole idea was to attract attention to the machine itself rather than actual toasting on the counter, although the machine was capable of toasting nut meats.

It is my recollection that that particular machine there was completed, I would say, the first part of December, 1931, but I [175] do not like to say definitely because after all that is some time ago; but during the month of December 1931. I differentiate between the machine which is shown in the photograph C-22 and C-23 and the machine that was ultimately turned out as the commercial product by the fact that the paddle itself is not the last paddle that we put out; it is separated from the top with an element, whereas in the finished product, the last machine we put out, it was together so that if you lifted the heating element, the paddle would lift up with it. And also by the receptacle that holds the pyrex bowl. The last machine that we put out, the final machine, instead of having a crude projection with ears of the pyrex bowl, it

(Deposition of William E. Graving.)

had one clip that fit over and into the bowl itself which served the double purpose of holding the bowl in place as it revolved, and, secondly, would hold the nut meats so that they would rotate with the bowl and pass over the bowl, in that way guarantee every nut meat there would rotate and receive equal heat. The last improved form was the model next to the one in the photograph C-22. No models were made in between. The last Model C was put into production in January 1932. They were in commercial production within thirty or forty days after the time I saw this machine completed and tested.

Redirect Examination

By Mr. Chilton

Figure 7 of Kelly patent 1,945,196 correctly illustrates the latest model. In the machine illustrated in Exhibit C-22, it was possible to remove the nut meats by raising the heating element and leaving the motor on, although I don't think I would recommend it.

MAX FAIRAIZL,

a witness called by defendant, being first duly sworn, testified as follows: [176]

Direct Examination

By Mr. Chilton

My name is Max Fairaizl; age 26; residence, Cleveland; occupation, draftsman with the P. A.

(Deposition of Max Fajraizl.)

Geier Company. I have been with the P. A. Geier Company seven and a half years. My duties are making drawings, keeping tool records. I receive instructions from Mr. Collier, and Mr. Martin, sometimes. I do not know Mr. William W. Kelly. I did drafting for the P. A. Geier Company on a nut warming machine.

The first type was called the nut roaster, Model A. Defendant's Exhibit C-21 is a complete assembly of the nut roaster, Model A machine. The Geier Company made a later machine, a Model C nut warmer. I made the better part of the working drawings for the machine. I believe I didn't have anything to do with the few assembly drawings that were made. Mr. Collier made the layouts. I received instructions from him as to the making of the working drawings. The working drawings were made from preliminary layouts made by Mr. Collier. Defendant's Exhibits C-33, C-34, C-35, and C-36 are the layouts I made the drawings from. Defendant's Exhibit C-33 is one of the first layouts of the nut warmer having a place for three bowls. Drawing C-34 is the first layout of the nut warmer. C-36 is the first layout of the motor driven nut warmer. C-37 is the first detailed part of the motor, I believe. The numbers on 37, 149, 147, 138, 148 are for our reference in looking the layouts up. We have an index of these numbers and the name on the layout, whenever we want to refer to any lay-

(Deposition of Max Fairaizl.)

out, why, we look at a number and these are filed in the file.

Mr. Kelly, I believe, came to the plant and told Mr. Martinet what he wanted. Mr. Martinet gave the ideas to Mr. Collier who put them on a paper and who laid them out on the paper, made the layout, and we made the working drawings. Defendant's Exhibits [177] C-41-1 to C-41-13, inclusive, and C-42-a to C-42-bb are production drawings made from their layouts and used to make parts for the nut warmer. All of the tracings that have my initials on were made by me. Ralph Gray who was employed there until, I believe, the summer of 1933 made the drawings on which his initials appear.

For our convenience in handling the part pieces, each piece has a number, and each model has a definite series of numbers assigned to it. It happened that the Model C nut warmer had the 40,000 series assigned to it because it was next in that order, started from it and on up. This happened to have a 40,000 series assigned and all the drawings especially for this nut warmer had the 40,000 series number assigned to them. That 40,000 series doesn't indicate that the drawing was used for production because there might have been a change made on it which necessitated a new drawing and that later drawing was a production drawing while the previous one was marked "void" or "obsolete". The experimental drawings did not have any number

(Deposition of Max Fajraizl.)

such as the 40,000 series, but carried the word, the casting carried the experimental pattern number such as E- so and so number. Where there was no pattern, why, the drawing did not carry any number. Defendant's Exhibit C-41-6 was an experimental drawing. It has never been used on production; that has been superseded by a newer drawing. When we apply the 40,000 series number it was contemplated to be used on production.

These working drawings are made in case where the castings were used, the patternmaker could make patterns from the drawings and then cast the castings themselves from the patterns. These drawings have not exactly been in my custody but they are in our files in the drafting room. They are in the same condition as they appeared when made. There would be no changes made on these unless there is an official change and that change would appear on the tracing itself. Regarding the significance of the red and the blue pencil notations on these drawings, "void" or "obsolete" or [178] "never used", or words to that effect, if there is a layout made and we make production drawings or experimental drawings from the layout, then we might or might not make actual pieces from it. That happens not to work or be practical or somebody getting a better idea. That part is marked "obsolete" or said to be "void", not used any more, and the drawings are marked accordingly so they aren't used, in case they are almost similar there is no

(Deposition of Max Fairaizl.)

difficulty telling them apart, such as this one here, C-42-A, no one would ever use it on production any more. It is possible some of the experimental drawings might have been converted into production drawings. We would then give them the 40,000 series number at that time.

Referring to drawing Exhibit C-41-1, and pattern Exhibit C-31, I would say this pattern was made from this drawing. That drawing, however, has been marked "void". Drawing C-41-9, dated December 22, 1931 represents the gear case used on the nut warmer. That contained the worm and the worm wheel. You can see the experimental pattern number erased and the production pattern number printed over it. Exhibit C-24, bearing pattern number E-134-A, is a pattern for the base used on the nut warmer. That contains the driving mechanism and was used in conjunction with the gear case and gear support to support the bowl driving mechanism. Pattern record Exhibit C-39-1 shows the date, the cost, and the maker of the pattern. For our own record and to know exactly the cost and the date and who made the pattern, or the tools that were used, we keep a record on a card like this which we can readily get and which contains all the information and part numbers and name and the description of the pattern or tool and cost, and whoever made it, and the changes if there are any made after the original pattern was made. I keep a record of these patterns and any tools. This in-

(Deposition of Max Fairaizl.)

formation I got from the invoice that is sent in by the manufacturer, the Brost Pattern Works, in this case. Card C-39-1, indicates that a change was made in this pattern as of February 18, [179] 1932. The A on the pattern number indicates that this pattern is or represents a change. This pattern was changed at the portion where the upright is, or the tube supporting the heating element. Looking at the back of the pattern an insert appears to be made in it. That part is the change itself, where it has been added or altered. I would say that the change is right on this drawing here bearing the date February 12, 1932. That date represents the date put on the invoice by the manufacturer and would represent just about the date when the change was finished.

Exhibit C-22 is the photograph of the first machine that was made up. It was completed and tested some time around Christmas of 1931. I fix that date because at that time either Mr. Kelly or somebody from the company sent over a quantity of nuts to be tried out on the machine and those were taken home by some of the persons in the department for Christmas. C-24 differs from C-22 in that the supporting tube instead of being held by a separate casting bolted to the base, the tube is inserted in the base itself without any extra casting being bolted to the base. That tube is indicated by the red place in the pattern, Exhibit C-24. The photograph C-22 was made before the change shown on C-24.

(Deposition of Max Fairaizl.)

The machine would be made before the change on the pattern, which was made on February 18th, 1932.

Exhibit C-32 is a bill charging the Nut Products Company with the cost of designing and building the Model C nut warmer. The second sheet refers to pattern numbers which were used on the nut warmer. They are patterns which went into the production of the machine shown in the photograph, Exhibit C-22.

Referring to these patterns here on the table and which of them are contained in the machine of which Exhibit C-22 is a photograph, C-27 is part of it; C-26 part of it; C-30; C-29 would [180] not be a part of it because this is later, I believe this is a later pattern for a change on the machine. You will notice this is shorter, although it may have been cast this long and then machined off to make the machine. According to what I see in the photograph I would say that pattern there as it is has not been used on the machine, referring to C-29. That pattern E-125-A has been changed. I believe that bill was after the whole machine was completed and tested and shown to be satisfactory. I saw the machine being operated with the nuts in it to test the heating element to see how it worked. The nuts were placed in the rotatable dish, the heat turned on, and the vessel containing the nuts was rotated.

This invoice, Exhibit C-32, contains a notation "83 hours by Messrs. Gray and Fairaizl" and indi-

(Deposition of Max Fairaizl.)

cates that I put in some time on these drawings. Most of the time was consecutive but of course there are some interruptions because that wasn't the only machine or product that we made and there would be interruptions, but most of it would be continuous. I was engaged in working on these working drawings ever since the earliest date on the drawings, which would be some time in October. The purpose of the paddle was to stir the nuts so they would not be burned by the heating element and be toasted, I should say, evenly all the way around, not just on the top.

The machine shown in C-22 and the patent 1,945,196 are practically the same, differing only in the final, I should say final construction of the machine, or would it be proper to say design? Everything embodied in the C-22, though, or the principles of it, would be the same. That machine included a base housing, a nut receiving means upon the base and open at the top thereof to give access to nuts contained therein, and stationary means mounted [181] upon the housing in spaced relation to the nut receiving means. That is the heating means. It employed means for rotating the nut receiving means relative to the heating means and means for varying the heat characteristics of the heating means and for varying the degree of heat applied to the nuts, and means within the housing for rotating the receptacle.

(Deposition of Max Fairaizl.)

My answers to the last few questions are based on my knowledge of the machine and partly on the photograph.

Exhibit C-40 is our record sheet showing the serial number and the date of the first machine made and also the serial number of the last machine, and the date the last machine was made. That record is in my charge. There has no change been made on it. The machine of the photograph Exhibit C-22 was known as the Model C nut warmer. This date 4-2-32 appearing on this record in the column opposite "C nut warmer" represents the actual date when the number was stamped on the completely finished machine. According to what I have said before the machine shown in Ex. C-22 was completed around Christmas time, 1931. There would be about three months between the date when Exhibit C-22 was completed and tested, and the date of commercial production of 4-2-32. That delay is caused by the fact that the patterns or castings used on the experimental models weren't in condition to be used for the production or making of production castings, and therefore new patterns had to be made, which consumed quite some time, and after the castings are received they have to be machined and assembled. The castings from the patterns are received as soon as the pattern is made, but the patterns themselves might not be returned for a period of time, or sometimes amounting to years, it all de-

(Deposition of Max Fairaizl.)

pends if we request the patterns to be returned or not.

Defendant's Exhibits C-38-1 to C-38-5 are invoices sent to us from the maker, or Brost Pattern Works in this case, billing us for the cost of making the patterns, and in some cases [182] where the castings were made right from the patterns at the same time, they would list the cost of the castings. My initials appear on those invoices at the lower right-hand corner. My initials on the invoice indicate that I have made a record of the cost of the patterns or changes on the patterns and entered it on the pattern record cards. The date which I put on these cards was taken from those invoices. I only have those invoices in my possession until I make a record of them, and then they are turned over to the purchasing department. They form a part of the records of the company. Mr. Martinet's signature on these invoices showed they are O. K. to be paid.

Cross Examination

By Mr. Orr:

I fix the date the machine of Exhibit C-22 was completed as being about Christmas by the fact that we took some of the nuts that were sent over by Mr. Kelly home for Christmas. We had been working on these machines for a little time before that. I did not take any part in the actual construction of the machine. The drawing marked C-41-2, which bears the initials "M. L. F.", followed by the

(Deposition of Max Fairaizl.)

numerals 12-19-31 was one of the drawings I made in connection with this development work. The designation 12-19-31 is the date when the drawing was completed. That drawing used to bear the experimental number, and it would have been used on this machine shown in C-22. The date 12-19-31 would indicate that it would be some time after that before the machine would be completed.

Referring to the drawing which is marked C-41-3, bearing the initials "M. L. F.", and the numerals 3-3-32, the numerals 3-3-32 indicate March 3, 1932. I was still making tracings of this machine as late as March. I have no independent recollection of when Mr. Kelly gave us any nuts. The drawing designed C-41-5, which bears the initials "M. L. F." and the numerals 2-12-32 indicates we were still making drawings on the machine February 12, 1932. [183] The drawing bearing designation 2-22-32, identified as C-41-7, relates to the same machine. I was still making drawings in February, 1932.

Regarding drawing identified as C-41-10 bearing the numerals 12-29-31, there are two drawings, I believe of this same part. I wouldn't know which of those would be used; either this one might have been used on there or the other, I wouldn't be sure. The numerals 12-29-31 indicate the drawing was completed December 29, 1931. Referring to drawing C-41-11 which appears to relate to the same part, I wouldn't know unless I checked, which, if either of those parts, were ever made. The parts were made

(Deposition of Max Fairaizl.)

according to one of the drawings. This pattern which is marked C-25, which bears pattern number E-124-A, is included in the machine. There is the erasure on there, the experimental pattern number carried this E-124, then that number was changed over, as shown by the letter A stamped on the pattern, and therefore it seems that this drawing and the pattern correspond, which originally carried experimental number E-124. This is referring to C-41-11. The notation on C-41-11 "See new drawing same number of 12-29-*21*" means that at this time, December 29, 1931, superseded C-41-11. I would not be able to tell whether the pattern is now made in accordance with C-41-11 or C-41-10, unless I had a way of checking the pattern. I believe if I had a scale I could check that. (After examining same) There is hardly enough difference in the diameter. This I would say corresponds to C-41-10, referring to E-124-A, Exhibit C-25. I cannot prove that that part, to be included in the machine, must have been subsequent to the date of this drawing, 12-29-31; because I cannot tell from that photograph. If I previously testified it was included in that particular machine, I am afraid, was without knowledge, without my knowing there were two drawings there. I am afraid my present testimony is I don't [184] know whether a part corresponding to the pattern which is here identified as C-25 was included in the machine of photographs C-22 and C-23 or not. If I was to answer that I would say that this part as it

(Deposition of Max Fairaizl.)

is represented by the pattern was used on there (referring to photograph C-23). Exhibit C-22 is not plain enough; I wouldn't care to state. As it looks, I would say yes. If that [185] part is included in that machine, it must have been completed slightly after this date 12-29-31. Referring to pattern cards C-39-4, that pattern was made 12-31-31, and represents E-124. The way it is shown on the photograph, the complete machine including the part corresponding to pattern E-124-A, Exhibit C-25, could not have been made prior to the date of completion of that pattern although the difference in the date would probably be a day, maybe a day or so, because we received the castings often before the invoice is received, and that can be machined and made up in probably a day.

The first models that were made up for the Nut Products Company, had no means for turning the pans. That feature was developed after the work had been under way for some time. This record sheet, Exhibit C-40, is a copy of the original which I made up in the last year. The original record is with the company. This is merely a copy made comparatively recently for our own use. We changed over the record form for our own convenience.

Seeing this particular drawing designated C-41-1, on which there are a number of obvious erasures and pencil notations other than those appearing in ink, I would say those changes were made after I

(Deposition of Max Fairaizl.)

completed the original drawing. In fact I am positive they were made after this date.

Q. When you testified this morning that these drawings are in the same condition they were at the time you made them, you were mistaken?

A. I don't believe I testified to that. I believe you referred to the pattern being exactly to the tracing.

Q. I believe the record will show the question and the answer when it is transcribed. [186]

Redirect Examination

By Mr. Chilton:

The fact that a pattern has an A after the number shows that a prior pattern of the same number existed. Therefore those pattern numbers which bear an A following the number were changed. Castings from patterns E-124-A were used in the machine shown by the photograph C-23. I was making working drawings, both before and after the date of completion and testing of the first machine. Most of the working drawings which bear the 40,000 series were subsequently used as production drawings. Sometimes they were voided or obsoleted even though they had the 40,000 series number. Some of the drawings originally marked "Experimental drawings" were given a 40,000 series number.

I continued to make working drawings after the date of completion and testing of the machine shown in photographs Exhibit C-22. The date of

(Deposition of Max Fairaizl.)

completion and testing of the machine in the photograph C-22 or C-23 with respect to the date of the invoice that was rendered for designing and building the improved model C nut warming machine with motor drive and extra power unit would be about the time of the invoice, because Mr. Collier's time is given; our time is given; and the cost of the original patterns and changed patterns; all that is given in here, which you couldn't have if you didn't have all the parts and the machine. I would say it would be prior to the date of that invoice. That invoice includes the services and charges for designing and building a machine. A machine would have to be tested before I would consider it designed and complete. We would not bill for a machine, for designing and building it, if it hadn't been tested.

With regard to this group of drawings, C-42-a to bb, inclusive, and C-41-1 to C-41-13, inclusive, the way these drawings stand, after these notations have been made on them, there has [187] been no more changes or anything made on them. They remain as we left them when we finished with the nut warmer in 1932.

It was thereupon stipulated and agreed between the respective parties that photostatic copies of blueprints may be substituted for the originals of such blueprints and other documentary or paper exhibits; that the physical exhibits, namely, the patterns, are to be retained in custody of defendant's counsel,

Messrs. Parker, Carlson, Pitzner & Hubbard, of Chicago, to be produced ten days before the trial of this cause.

Rebuttal Depositions Taken on Behalf of Plaintiff at Cleveland, Ohio, on September 3, 1937 and September 14, 1937.

WILLIAM W. KELLY,

a witness called by plaintiff, being first duly sworn, testified as follows:

Direct Examination

By Mr. Orr:

I am the William W. Kelly who has previously testified on behalf of the defendant in this case. The machine Plaintiff's Exhibit A is what we call a Model C Nutmaster. It is typical of the commercial machine that was put out by Nut Products Company.

Comparing the machine Plaintiff's Exhibit A with the photograph Defendant's Exhibit C-22, there seems to be a difference in the agitator. The paddle illustrated in the photograph Defendant's Exhibit C-22 is not the same form of paddle as that in the commercial machine Plaintiff's Exhibit A. The finger extending over the edge [188] of the bowl and into the nuts in the bowl of the machine

(Deposition of William W. Kelly.)

Plaintiff's Exhibit A is not found in the photograph Defendant's Exhibit C-22, nor in Exhibit C-23.

When we first received the machine shown in Defendant's Exhibits C-22 and C-23, we had difficulty in causing an agitation of the nuts. The nuts slipped and would crawl over the side of the pan. To correct that trouble we started out to improve the paddle, and put the arm on the bowl. The paddle was changed subsequent to the completion of the experimental model as shown in the photographs Defendant's Exhibits C-22 and C-23. The finger extending into the bowl as embodied in the commercial machine Plaintiff's Exhibit A was added to keep the nuts from slipping over the edge of the pan. The finger caused the nuts to be held down in the paddle instead of slipping over the top.

Prior to the application of the retaining finger there was a tendency for the nuts to remain stationary while the pan turned relative to the nuts.

Q. I will ask Mr. Kelly if, observing the nuts through the glass pyrex dish, if you can observe there is a certain amount of slippage between the nuts and the wall of the pyrex glass? If you will watch some particular nut and see how it gradually works back from its position.

A. What do you mean, the nuts changing position or standing still?

Q. That the pan is moving faster than the nuts?

A. Some of them slip back and go ahead again.

(Deposition of William W. Kelly.)

Q. You observe the movement of the nuts is rather intermittent as compared to the steady turning movement of the pyrex dish, do you not?

A. Well, yes. [189]

Q. I will now remove the finger which we have previously mentioned and again start the machine and ask if you observe any difference in the degree of slippage between the nuts and the wall of the bowl?

A. Yes, it is becoming more of the speed of the bowl with that out.

Q. There is a greater degree of slippage without the finger than when the finger was present, is that not the case?

A. Yes.

Q. Was it customary at the time the machine was put into production to toast the nuts with butter?

A. Well, they would heat them up and then put butter into the bowl and toast the butter in the nuts.

Q. What if any effect would the addition of butter have on the action of the nuts in the bowl?

Mr. Chilton: Objected to as entirely irrelevant to the issues involved in this case.

A. Well, the greasier they are the more they would have a tendency of slipping in the dish.

The machine with the retaining finger in place operates as it did when it was put upon the market. I observe some slippage of the nuts in the pan as the pan rotates. When the retaining finger is re-

(Deposition of William W. Kelly.)

moved I observe that there is a greater degree of slippage between the nuts and the wall of the pan.

The sheet metal paddle Plaintiff's Exhibit B conforms to my recollection of the construction of the paddle that was in the original experimental machine shown in the photograph Defendant's Exhibit C-22, and I believe they are substantially the same. When the sheet metal paddle is substituted in place of the cast aluminum paddle of the commercial machine Plaintiff's Exhibit A the machine is substantially the same as the first experimental machine illustrated in Defendant's Exhibit C-22 but I don't exactly recall the thickness and width of the paddle. The shape of it seems the same. [190]

When the machine is started with the paddle Plaintiff's Exhibit B in place, I observe that the nuts have a tendency to pile up, and that the pan rotates while the nuts stand still. We ran up against that same trouble in the original experimental machine illustrated in Defendant's Exhibits C-22 and C-23. One of the primary purposes of including the finger in the machine as it was finally developed was to cause the nuts to move with the pan.

When I previously testified that changes were made in the experimental machine shown in Defendant's Exhibits C-22 and C-23 I had in mind the changes made in the form of the paddle and the addition of the finger. The purpose of those changes was to keep the nuts turning over and to keep the nuts from climbing over the sides of the bowl. Prior

(Deposition of William W. Kelly.)

to the inclusion of those improvements we did not consider the machine shown in Defendant's Exhibits C-22 and C-23 satisfactory for our purpose.

Q. The general setup of the machine as illustrated in photographs C-22 and C-23 was satisfactory to you, was it?

A. Well, I think the machine was satisfactory when we started to improve on it.

Q. But in so far as its operation for agitating the nuts, were you satisfied entirely, when the photographs were taken?

A. I wouldn't say entirely, no.

Q. And that was the purpose of the improvements in the paddle?

A. Yes.

My recollection is that the machine shown in the photographs Defendant's Exhibits C-22 and C-23 went out to a store and was brought in when we worked out the improvements of the bowl, but I couldn't positively swear to the date, if it do go out or not. My recollections were that those improvements were embodied in it [191] and eventually it went out.

Cross Examination

By Mr. Chilton:

The machine of those photographs Defendant's Exhibits C-22 and C-23 had a paddle or stirrer similar to the paddle identified here as Exhibit B, as far as the form. I don't know about the exact, I don't recall the size of the metal. As to the paddle, Ex-

(Deposition of William W. Kelly.)

hibit B, and the paddle embodied in the machine, Exhibit A, that is the cast type of paddle. The objects are the same.

When the machine is operating at the highest speed for which the control may be set, I observe in the operation that some [192] of the nuts are tumbled over the paddle as the machine is rotated. There is considerable movement of the nuts within the vessel and tumbling over the paddle. I think the machine of the photographs Exhibit C-22 and C-23 included means for varying the speed of the machine. It was intended that the speed of the machine might be varied in accordance with the temperature of the heating element. This machine, Exhibit A, operated at the highest speed for which it may be set, causes a considerable movement of the nuts about the vessel as it is rotated, with the exception it had a tendency of bunching at one part. There is a tendency to pile up at one side of the paddle, but the nuts do pile up around the paddle and move around the vessel. As to whether the machine of the photographs C-22 and C-23 embody the same power unit as the machine of Exhibit A, I think the motor parts are substantially the same. I don't know whether they changed the size of the motor in there or not, because I know at first they had a little trouble with the motor heating. I think they went to a little stronger armature, or whatever they call it. I said in my first testimony I thought the machine of the photograph went out to a customer and

(Deposition of William W. Kelly.)

was tried and they found out the faults and we started improving on it. I testified today that that machine was returned to the factory for some change to be made on it. I think we changed the paddle and the arm that was over the side. It eventually ended up with a paddle like Exhibit A; that was the final outcome of the improvements on the paddle. The machine of the photographs C-22 and C-23 was returned to the plant for some change to be made on it. When we made the change we put into it a paddle similar or substantially like Exhibit A. I think it was eventually used in the trade. Other than the addition of the paddle like Exhibit A, that finger was put over the side. The motor was changed, too. I think it was made a little stronger. [193]

I think our first tests of the machine of the photographs Exhibits C-22 and C-23 were before Christmas, December, 1931. That machine had on it a paddle similar to Exhibit B. When we operated that machine, there was a tendency of the nuts to pile up in back of the paddle. To remedy that, in our production machines, we put on that paddle like the east paddle of Exhibit A; and in addition we added a finger that went down inside the bowl.

Redirect Examination

By Mr. Orr:

When the machine was first demonstrated with the paddle Exhibit B, quite a substantial amount of the nuts was spilled over the side, when they turned

(Deposition of William W. Kelly.)

it on at high speed. In the original machine shown in Exhibits C-22 and C-23 there was spillage of nuts. We altered the arm and put that finger over the side in the dish. When the original of the machine C-22 and C-23 was operated at a high speed there was a correspondingly greater amount of spillage of the nuts.

Q. You regarded those changes as of considerable importance to the operativeness of the machine for your purpose, did you not?

A. Yes.

Q. In fact, the machine was not regarded as satisfactory until those changes had been made, was it?

Mr. Chilton: Objected to as grossly leading.

A. Well, I don't think the company considered it commercially right until all the improvements had been made on it.

Q. You weren't satisfied, were you, at that time?

A. That is what I mean.

Q. Until those changes had been included, were you?

A. No, I would not say entirely.

Q. Would you say that you were at all satisfied until those difficulties had been overcome? [194]

A. No, I would say we weren't satisfied.

Recross Examination

By Mr. Chilton:

We regulated the motion of the nuts in accordance with the amount of heat applied to the nuts.

(Deposition of William W. Kelly.)

Redirect Examination

By Mr. Orr:

With respect to the tendency of the nuts to pile up and remain stationary while rotated when the nuts are heated, the nuts are cooked in oil and the heat would bring the oil out to the surface of the nuts and form a greasy scum on the dish, and the tendency would be more to slip when they were hot than when they are dry like those are. It would have a tendency to slip from the grease forming in the pan.

Recross Examination

By Mr. Chilton:

I testified of my own free will today, without subpoena. I have absolutely no interest in the outcome of the present suit.

WILLIAM E. GRAVING,

a witness called by plaintiff, being first duly sworn, testified as follows: [195]

Direct Examination

I am the William E. Graving whose deposition was taken on behalf of the defendant in this action last week. The machine Plaintiff's Exhibit A which is on the table before me is what we term the Model C machine of the Nut Products Company. That machine correctly represents the commercial

(Deposition of William E. Graving.)

machine which was manufactured by the P. A. Geier Company for Nut Products Company.

Comparing the machine Plaintiff's Exhibit A with the machine shown in the photographs Defendant's Exhibits C-22 and C-23 I observe that the motor driven carrier for the bowl shown in Exhibit C-22 does not have the finger which is folded over inside the bowl, and has a different type of bowl. The photograph Defendant's Exhibit C-23 has two displays, a different type of paddle and a different type of motor driven carrier for the bowl. The machine shown in Defendant's Exhibit C-23 does not include the finger which I refer to.

The machine Plaintiff's Exhibit A correctly illustrates the operation of the commercial machine as it was developed by the Nut Products Company. While it is in operation I observe a certain amount of slippage between the nuts and the edge of the pan which we were unable to overcome.

In the machine shown in photographs Defendant's Exhibits C-22 and C-23, we had trouble with slippage of the nuts, in that when they would hit the paddle they had a tendency to stop there, pile up at the paddle and remain stationary while the bowl continued turning.

The paddle Plaintiff's Exhibit B conforms to my best recollection of what the paddle was in the original Exhibit as shown in photograph Defendant's Exhibit C-22. When the paddle Plaintiff's Exhibit B is substituted in place of the cast paddle of

(Deposition of William E. Graving.)

the [196] commercial machine Exhibit A, the machine conforms as far as I can determine to the original machine of Exhibit C-22. Upon operation of the machine Plaintiff's Exhibit A with the paddle Plaintiff's Exhibit B substituted for the cast paddle of the commercial machine, I observe that it is rather an exaggerated idea of the trouble we were having at that time. We found, by putting in the paddle we wanted to use to agitate the nut meats, the nut meats would either stop at the paddle point and pile up and run over the paddle or remain stationary instead of traveling around with the bowl. It produces a condition similar to that observed in the original machine. There is a similar retarding of the nuts so that they pile up in back of the paddle, and there is a tendency for the nuts to remain stationary while the pan rotates about them. There was a spilling of the nuts over the side of the pan unless you put a very small quantity in it so they couldn't reach the top, and the quantity then would be so small it would not be workable.

When the nuts are heated, and particularly so with the addition of butter which we used to add, they are more slippery and greasy and have a far greater tendency to slip within the bowl than when they are cold. When the speed of the machine is increased there is more spilling of the nuts.

I spent considerable time devising a paddle that would cause the nuts to rotate properly. At the same

(Deposition of William E. Graving.)

time I worked out the finger which would help pull the nut meats over the paddle.

Photograph C-22 was taken January 8th and C-23 was taken February 4th. I fix those dates by copies of invoices from the Euclid Commercial Studio, where I personally had taken the machines to have photographs made of them for sales promotion.

At the time the photographs Defendant's Exhibits C-22 and [197] C-23 were taken the machine was not practical so far as the toasting of nuts was concerned. The machine as then constructed would not rotate the nuts satisfactorily so that they would not receive an even amount of heat. I imagine the improvements I worked out would run a week or ten days after the second photograph was taken, referring to photographs Defendant's Exhibits C-22 and C-23.

When the paddle submitted by P. A. Geier Company did not [198] agitate the nuts correctly, I spent several hours with sheet metal and aluminum cutting out paddles, bending them in all sorts of shapes and forms, and clamping them onto the upright post and working it until I found what I thought was the best paddle for that purpose. While I was experimenting I had trouble with the nut meats not wanting to pass over the point of the paddle. By holding a pencil and following the rotation of the pan around with the pencil, I found the pencil would carry the nut meats over that point.

(Deposition of William E. Graving.)

P. A. Geier Company eventually cast the paddle and the finger according to my specification.

Q. I will direct your attention to a blueprint which has been produced from a tracing identified as Defendant's Exhibit C-41-13, and call your attention to the arm and the ears appearing at the right-hand side of the member shown in that drawing, and ask if by reference to the date of that drawing you can fix approximately the time when you made your suggestions to P. A. Geier Company?

A. Well, inasmuch as this drawing is dated February 16, and covers exactly the specifications that I had transmitted to P. A. Geier Company, I would say that my transmitment of the specifications must have occurred just prior to February 3, 1932.

Plaintiff's Exhibit C is a drawing of the paddle which I have just testified I perfected. Evidently I transmitted this information to P. A. Geier just previous to the date of the drawing February 16, 1932. Paddles were subsequently made in substantial conformity to the structure shown in the drawing Plaintiff's Exhibit C.

When I previously testified that I had observed tests with the machine Model C in which the nuts had been uniformly roasted to a brown color, I had in mind the finished machine with the new improved paddle and with the finger. I have since [199] determined from records that that completed machine was first delivered on April 2, 1932.

(Deposition of William E. Graving.)

Cross Examination

By Mr. Chilton:

This Model C, Plaintiff's Exhibit A, was not intended for a complete cooking, but it developed to the point where it could be used for a complete cooking, but it was never used for that purpose. There was no stage in the development of this Model C machine excepting in the back of my own mind, where we contemplated cooking the nuts completely rather than merely warming them up. I always did have an idea that is what I would like to do, but [200] it wasn't really the intention of the company or anyone else as far as I know to make it a complete nut roasting machine. We were trying to put out a machine as nearly perfect as possible, and using the heat we did find that unless they were agitated they would burn in the center if left there any length of time, and we were afraid if we placed them in the stores we would have a lot of kicks because of the nut meats burning. To a certain extent, the amount of agitation or movement which it was necessary to impart to the nuts depended upon the degree of heat applied.

Observing the operation of the machine Exhibit A, having instead of the cast paddle the sheet metal paddle, I don't notice much of a movement of the nuts. The nut meats have a tendency to pile up at the paddle and they remain stationary. They do tumble over the paddle to a certain extent. (The demonstration was made with the dish about a third

(Deposition of William E. Graving.)

full.) As to material changes made in the production machine in addition to adding a cast paddle, we discontinued entirely the idea of the multiple bowl, as shown in C-23, changed the casting or the motor housing to a certain extent, and of course added the finger and the improved paddle. The paddle or stirrer in the production machine was meant to serve the same function as the paddle or stirrer in the experimental machine shown in the photograph.

Redirect Examination

By Mr. Orr:

When the nut meats are hot they are greasier and more slippery, and have a great deal more tendency to slip than remain stationary, than they would if they were cold. I have observed that the nut meats piled up at the point of the paddle, but because of the fact that the bowl was only a third full they would not go over, couldn't reach the top and eventually a few of them would tumble over. As to the percentage, I would hesitate to say; there was a very small percentage that would tumble over per revolution. [261] I notice there may be two or three or four complete revolutions without any nuts dropping over and then possibly five or six nuts will fall at one time and an interval of four or five more revolutions before any more nuts will fall over. I do not consider it would be practical to operate the machine with as few nuts as are present in the pan during this demonstration.

(Deposition of William E. Graving.)

Upon restoring the nuts which have been previously removed and again starting the machine in operation, I see that the nut meats pile up and fall over the edge of the pan. As to the usefulness of the machine in which a spillage of the degree which I have just noted occurred, it couldn't very well be used, and if you put in a smaller quantity you couldn't sell enough nuts out of it to make it worth while.

It was desirable to secure movement of the nuts within the pan because the heat at the center of the bowl is the hottest, and it is absolutely necessary to have an agitator in there that will rotate the nut meats from the center to the edge of the bowl and back again, and from the bottom of the nut meats to the top, so that all nut meats will secure the same amount of heat, so as to prevent any of them from burning. It was contemplated the nuts might be subjected to the effect of the heat for relatively long times. That was one of the reasons for requiring a more or less continuous movement of them. Another reason would be where the store would sell a large quantity of nut meats and you would have the heat on high, which would be an intense heat, and if they weren't properly rotated they would burn in a few minutes. As to the effect of the rotation in attempting to temper the heat in obtaining uniformity, I would say it was by removing the nut meats out of the intense heat to the outer edge, and bringing the nuts at the outer edge back into the

(Deposition of William E. Graving.)

area of the intense heat. It would [202] tend to give them a uniform heat and roast.

Referring to the two photographs Exhibits C-22 and C-23, the nuts contained in the pyrex dishes on the turn-table could not be retained in those dishes for any length of time without damage to the nuts while the heater was energized unless the heating element was raised way to the top of the upright post and the heat turned on medium, and then for not too great a length of time. The nut meats in the center of the pan would be warmer than those on the outside. Those at the bottom of the pan would have less heat than those at the top. With the heating element so positioned and regulated to the medium heat, I do not think there would be any material heating of the nuts at the bottom of the pan without burning the top nuts. When the machine shown in the two photographs Defendant's Exhibits C-22 and C-23 was operated there was a tendency of the nuts becoming burned. Because of the paddle, as shown in Exhibits C-22 and C-23, not properly agitating and rotating the nut meats, the banking up of the nuts had a tendency to cause the top nut meats to be raised up higher, closer to the heating elements, where they would secure more heat, and the nut meats at the bottom and farther away would not receive enough heat. They might remain with one side facing the heat and burn, whereas the bottom side would not burn, in other words, there was no rotation of the nut meats.

SYLVESTER W. FIEG,

a witness called by plaintiff, being first duly sworn, testified as follows:

Direct Examination

By Mr. Weidman:

I reside at 3548 East 139th Street, Cleveland, Ohio. I recognize the machine Plaintiff's Exhibit A as the Model C Nutmaster manufactured by P. A. Geier Company for the Nut Products Company. [203] I was formerly superintendent of the factory for Nut Products Company. Defendant's Exhibits C-22 and C-23 are photographs of the first Model C machine made.

The machine Plaintiff's Exhibit A is typical of the commercial machines put out by the Nut Products Company. The machine shown in Defendant's Exhibit C-22 differs from the machine, Plaintiff's Exhibit A in that the commercial machine Exhibit A has a finger and a different type of paddle. The paddles shown in Exhibits C-22 and C-23 do not appear to be a cast paddle.

I know Mr. William E. Graving. Mr. Graving, as I understand it, was sales manager and helped on these machines, and he would come up into the factory and get my ideas and we would work together in trying to get the machines to run correctly.

The trouble with the machine shown in Defendant's photographs Exhibits C-22 and C-23 was that the nuts seemed to slide around in the dish and be crowded out. To correct that we tried to form a

(Deposition of Sylvester W. Fieg.)

different paddle and Mr. Graving did something about agitating the nuts with a pencil. Before the application of the finger I referred to I observed the tendency of the nuts to remain stationary while the pan turned relative to the nuts.

I observe, when the sheet metal paddle Plaintiff's Exhibit B is substituted for the cast paddle of the machine Plaintiff's Exhibit A and the machine is operated, that the nuts pile up and the Pyrex dish rotates around them. I observe a similar piling up of nuts against the paddle in the original experimental machine. When the finger is attached, there is not so much slipping. That is one of the reasons for including the finger in the machine as it was finally developed.

In reference to a change in the paddle as exemplified in Plaintiff's Exhibit B, I think the paddle was formed different; it [204] was cut down; there wasn't quite so much paddle to it. The purpose of making those changes was to keep the nuts from coming out of the bowl and have better agitation. It agitated them around more; it mixed them up, I would say. The nuts were more active after the paddle was changed. They more nearly took up the speed of the bowl. The commercial machine embodied the improvements consisting of the changed paddle and the finger. If the nuts were in a substantially stationary condition, the top ones would get so much heat, I imagine, and in time they would burn, on high heat. I tried the machine with the

(Deposition of Sylvester W. Fieg.)

nuts substantially in a stationary condition and the heat fully on and it was not a bit satisfactory. The bottom of the nuts would not get any heat. The top nuts would burn in time. To my knowledge I never saw any nuts become burned when they were moving.

Cross Examination

By Mr. Chilton:

Referring to the operation of the machine, Exhibit A, having on it the paddle Exhibit B, the only movement of nuts past the paddle is what I see going over the top of the paddle. Nuts are falling over the paddle, also piling up. The amount of movement which is necessary to impart to the nuts is somewhat dependent upon the amount of heat which is applied to the nuts. If you have more heat you require more movement of the nuts to keep them from burning. If you have a small amount of heat you do not require so much movement of the nuts.

Referring to the two photographs, Exhibits C-22 and C-23, the machine shown in those two photographs had a base housing, a nut receptacle mounted upon the housing, and a heating element spaced from the receptacle. The machine of the two photographs embodied means for directing heat from the heating element onto the receptacle, means within the housing for rotating the receptacle, and means for varying the heat characteristics of the heating element. As far as I can see the machine of the photographs [205] includes a motor within the housing,

(Deposition of Sylvester W. Fieg.)

and a nut receptacle driven by the motor shaft. The top of the nut receptacle was open for permitting the introduction and removal of nuts while the machine was in operation. The heating element was mounted in spaced relation to the nuts; above the nuts. The machine of the photographs embodied means for varying the degree of heat applied to the nuts.

Redirect Examination

By Mr. Weidman:

Referring to the paddle, Plaintiff's Exhibit B, and as to my recollection of the form and shape of that paddle independent of the photographs Exhibits C-22 and C-23, I would say that Exhibit B paddle is pretty close to what I originally saw in the experimental machine. It is hard to determine here, these paddles are covered with nuts. As near as I can remember, that is pretty close to the paddle. That is entirely apart from the photographs; you can't get a good sight of the paddle here in the dish.

As to the time I worked on an experimental machine similar to that shown in the Exhibits C-22 and C-23 I don't know whether it was February or January, 1932. It was at the same time that Mr. Graving was working on it. Any time I worked on the machine I worked with Mr. Graving, practically. The time that I worked on the machine was after the time Mr. Graving started to work on the machine. It was after the machine was delivered to the Nut Products Company that I worked on it. I can't

(Deposition of Sylvester W. Fieg.)

say how long, because I wouldn't know when it was delivered. Commercial machines were delivered to the Nut Products Company when I was there. I cannot state of what material the paddle on the experimental machine was made. I don't know whether it was sheet steel or sheet aluminum—I couldn't say for sure whether it was sheet metal.

When I observed counsel for defendant operate the machine [206] with the Exhibit B thereon and without the finger in place, I knew that the machine was being operated at maximum speed. Very few of the nuts passed the paddle during such operation. When the machine is operated at a slower speed, I do not observe any appreciable movement of the nuts at the lower speed. At an intermediate speed, I do not observe movement of the nuts to any great extent; very little difference. They are substantially stationary. The purpose of the machine would not be achieved in operating the heating element at a very low heat. The rotation of the dish was intended to cause rotation of the nuts along with it. With the paddle in [207] the experimental machine in position, this purpose was defeated.

Following the completion of the foregoing depositions taken in behalf of plaintiff, the following stipulation was made:

It is stipulated by and between counsel for the parties hereto that the paper exhibits:

D—The P. A. Geier Company tracing of paddle 40,741, dated February 15, 1932,

E—The P. A. Geier Company tracing of the nut driver casting 40,743, dated February 17, 1932,

F—The P. A. Geier Company tracing of the nut driver hinge pin 40,744, dated February 24, 1932,

G—The P. A. Geier Company tracing of the support tube 40,716, dated March 1, 1932,

H—The P. A. Geier Company pattern record of paddle, dated February 29, 1932,

I—The P. A. Geier Company pattern record of paddle, dated March 11, 1932,

J—The P. A. Geier Company pattern record of nut driver casting, dated March 8, 1932,

K—Invoice rendered P. A. Geier Company, dated March 15, 1932,

be received in evidence as Plaintiff's Exhibits D, E, F, G, H, I, J, K, without proof, as showing tracings and records of the P. A. Geier Company made and kept in the ordinary course of business, and accurately and truly representing the unchanged tracings and records made at the times and dates and in the manner shown thereon, and relating to the nut warming and toasting machine, known in this controversy as the "Model C Nut Master", elsewhere appearing in the evidence as the commercial machine produced by the P. A. Geier Company in April, 1932.

It is further stipulated that the pattern card Exhibit H is the pattern card referring to a pattern made in accordance with the tracing Exhibit D; that the pattern card I is a record of a [208] casting of the paddle Exhibit D; that the pattern card Exhibit J, is a record of a casting made of the nut driver casting Exhibit E; and that the invoice Exhibit K is an invoice rendered for the sample castings corresponding to Exhibits D and E, all relating to the "Model C Nut Master" machine hereinbefore mentioned.

It was also stipulated by and between counsel for the parties hereto that the foregoing depositions could be taken in shorthand and then reduced to writing.

It was stipulated that copies of the exhibits may be substituted for originals.

It was thereupon stipulated by and between counsel for the parties hereto that the time for taking depositions by both parties be extended sufficiently to permit the depositions to be transcribed and sent to the court.

It was also stipulated by and between counsel for the parties hereto that Plaintiff's Exhibits A and B, physical exhibits, may be sent to Messrs. Parker, Carlson, Pitzner & Hubbard, Chicago to be forwarded by them to Mr. Charles S. Evans, and kept in Mr. Evans' custody, to be produced at the trial, and subject to inspection by opposing counsel at reasonable times.

(End of Depositions)

Dated: Oct. 7, 1938.

CHARLES S. EVANS,
HUGH N. ORR,
Attorneys for Plaintiff-Appellant.

[Endorsed]: Lodged with Clerk and Copy served Oct. 7, 1938. Filed Dec. 23, 1938. [209]

[Title of District Court and Cause—Nos. 3941-S and 4133-S.]

ORDER SETTLING STATEMENT OF EVIDENCE

Plaintiff-Appellant having heretofore lodged its statement of the evidence in the above entitled causes; and counsel for the parties having stipulated that said statement of the evidence be amended and supplemented in accordance with the revisions indicated in the stipulation filed herein dated December 12, 1938; and said revisions having been incorporated in the statement of evidence as now lodged with the Clerk of this Court; and the matter having been fully considered and good cause therefor appearing, it is hereby

Ordered:

That the condensed statement of evidence so amended and supplemented, and as now lodged with the Clerk of this Court, is hereby settled and approved; and shall constitute the statement of the

evidence in the above entitled causes for purpose of appeal.

Dated: Dec. 24, 1938.

A. F. ST. SURE,
Judge of the U. S. District Court.

Approved as to form
TOWNSEND & HACKLEY,
JACK E. HURSH,
Attorneys for Defendant-Appellee.

[Endorsed]: Filed Dec. 24, 1938. [209½]

[Title of District Court and Cause—No. 3941-S.]

NOTICE OF APPEAL

To the Clerk of the above Court and to Messrs. Townsend and Hackley, Charles E. Townsend, Roy C. Hackley, Jr., and Messrs. Parker, Carlson, Pitzner and Hubbard, Attorneys for Defendant:

You and each of you will please take notice that National Nut Company of California, Plaintiff in the above entitled suit, hereby appeals to the United States Circuit Court of Appeals for the Ninth Circuit from the final decree heretofore made and entered in the above cause in favor of Defendant on May 24, 1938.

CHARLES S. EVANS,
HUGH N. ORR,
Attorneys for Plaintiff.

Dated: May 27, 1938.

[Endorsed]: Filed May 27, 1938. [210]

[Title of District Court and Cause—No. 3941-S.]

PETITION FOR ORDER ALLOWING APPEAL

National Nut Company of California, The Plaintiff herein, feeling itself aggrieved by the final decree made and entered in the above entitled suit on the 24th day of May, 1938, comes now by its counsel and petitions this Court for an order allowing said Plaintiff to prosecute an appeal from the said final decree to the United States Circuit Court of Appeals for the Ninth Circuit, under and pursuant to the laws in that behalf made and provided; and also that an order be made fixing the amount of security that said Defendant shall give and furnish and that when such security is given and furnished all further proceedings in this Court be suspended and

[211]

stayed until the final determination of said appeal by the United States Circuit Court of Appeals for the Ninth Circuit.

CHARLES S. EVANS,
HUGH N. ORR,
Attorneys for Plaintiff.

Dated: May 27, 1938.

[Endorsed]: Filed May 27, 1938. [212]

[Title of District Court and Cause—No. 3941-S.]

PLAINTIFF'S ASSIGNMENT OF ERRORS ON APPEAL FROM FINAL DECREE ENTERED MAY 24, 1938

Now Comes the National Nut Company of California, a corporation, Plaintiff in the above entitled suit, and assigns the following as errors on which it will rely upon its appeal to the United States Circuit Court of Appeals for the Ninth Circuit from the final decree made and entered in the above entitled case on May 24, 1938, adjudging and decreeing that Plaintiff's Bill of Complaint be dismissed, and that Defendant have judgment against Plaintiff for the sum of Defendant's costs and disbursements herein, viz.:

1. Error in dismissing Plaintiff's Bill of Complaint; and in not sustaining the same. [213]

2. Error in holding that Plaintiff is not entitled to the relief prayed for in its Bill of Complaint, or any part thereof, or any relief whatever; and in not holding that Plaintiff is entitled to the relief prayed for.

3. Error in holding that Defendant should have judgment against Plaintiff for the sum of Defendant's costs.

4. Error in entering any decree whatever for Defendant.

5. Error in denying Plaintiff relief from the infringing acts of Defendant complained of.

6. Error in holding that Design Letters Patent No. D-89,347, has not been infringed by the Defendant.

7. Error in not holding that Plaintiff's Design Letters Patent No. D-89,347 is valid, and that said Design Patent has been infringed by Defendant.

8. Error in finding as a fact that The Susu Nut Co. of Chicago, Illinois, controlled and directed the defense of the above entitled suit.

9. Error in stating as a conclusion of law that the benefits of the decree "shall extend to and include the manufacturer of defendant's machine in question", said manufacturer not being a party to the suit, and there being nothing in the record of the case showing that such manufacturer controlled or in any way participated in the defense of the suit.

Now Therefore, in order that the foregoing assignment of errors may be and appear on record, Plaintiff presents the same to the Court and prays that they may be filed and such disposition be [214] made thereof as is in accordance with the laws of the United States in that behalf made and provided, and prays that said decree be reversed and that the District Court of the United States for the Northern District of California, Southern Division be directed to enter a final decree in favor of the Plaintiff and against the Defendant, sustaining Plaintiff's Bill of Complaint, holding that the claim of Plaintiff's Design Patent is valid, and infringed by Defendant, and for the relief prayed for in said Bill

of Complaint and for Plaintiff's reasonable costs of suit and for costs on appeal.

CHARLES S. EVANS,
HUGH N. ORR,
Attorneys for Plaintiff.

Dated: May 27, 1938.

[Endorsed]: Filed May 27, 1938. [215]

[Title of District Court and Cause—No. 3941-S.]

ORDER ALLOWING APPEAL

Plaintiff, having filed a petition for an order allowing an appeal from the final decree made and entered herein on May 24, 1938, in favor of the Defendant and against the said Plaintiff, which said petition was accompanied by an assignment of errors; now, therefore, on motion of counsel for Plaintiff, it is

Ordered, that the petition be and the same is hereby allowed and Plaintiff is hereby allowed to take an appeal to the United States Circuit Court of Appeals for the Ninth Circuit from the said final decree; and it is further

Ordered, that upon the said Plaintiff giving a good and sufficient bond or undertaking to be approved by the Court in the [216] sum of $1000.00, and conditioned as required by law, all further proceedings in this Court including the issuance of

execution, be and the same are hereby suspended and stayed until the final determination of said appeal by the United States Circuit Court of Appeals for the Ninth Circuit; and it is further

Ordered, that the amount of said Plaintiff's cost bond on said appeal be and the same is hereby fixed in the sum of $250.00; and that a certified copy of the transcript of the record and proceedings herein, together with all exhibits offered in evidence, be forthwith transmitted to the United States Circuit Court of Appeals for the Ninth Circuit in the manner provided by law.

A. F. ST. SURE,
United States District Judge.

Dated: May 27, 1938.

[Endorsed]: Filed May 27, 1938. [217]

[Title of District Court and Cause.—No. 4133-S.]

NOTICE OF APPEAL

To the Clerk of the above Court and to Messrs. Townsend and Hackley, Charles E. Townsend, and Roy C. Hackley, Jr., Attorneys for Defendant:

You and each of you will please take notice that National Nut Company of California, Plaintiff in the above entitled suit, hereby appeals to the United States Circuit Court of Appeals for the Ninth Circuit from the final decree heretofore made and

entered in the above cause in favor of Defendant on May 24, 1938.

CHARLES S. EVANS.
HUGH N. ORR
Attorneys for Plaintiff

Dated: May 27, 1938.

[Endorsed]: Filed May 27, 1938. [218]

[Title of District Court and Cause—No. 4133-S.]

PETITION FOR ORDER ALLOWING APPEAL

National Nut Company of California, the Plaintiff herein, feeling itself aggrieved by the final decree made and entered in the above entitled suit on the 24th day of May, 1938, comes now by its counsel and petitions this Court for an order allowing said Plaintiff to prosecute an appeal from the said final decree to the United States Circuit Court of Appeals for the Ninth Circuit, under and pursuant to the laws in that behalf made and provided; and also that an order be made fixing the amount of security that said Defendant shall give and furnish and that when such security is given and furnished all further proceedings in this Court be suspended and [219] stayed until the final determination of

said appeal by the United States Circuit Court of Appeals for the Ninth Circuit.

CHARLES S. EVANS
HUGH N. ORR
Attorneys for Plaintiff

Dated: May 27, 1938.

[Endorsed]: Filed May 27, 1938. [220]

[Title of District Court and Cause.—No. 4133-S.]

PLAINTIFF'S ASSIGNMENT OF ERRORS ON APPEAL FROM FINAL DECREE ENTERED MAY 24, 1938.

Now comes the National Nut Company of California, a corporation, Plaintiff in the above entitled suit, and assigns the following as errors on which it will rely upon its appeal to the United States Circuit Court of Appeals for the Ninth Circuit from the final decree made and entered in the above entitled case on May 24, 1938, adjudging and decreeing that Plaintiff's Bill of Complaint be dismissed, and that Defendant have judgment against Plaintiff for the sum of Defendant's costs and disbursements herein, viz.:

1. Error in dismissing Plaintiff's Bill of Complaint; and in not sustaining the same.

2. Error in holding that Plaintiff is not entitled to the [221] relief prayed for in its Bill of Complaint, or any part thereof, or any

relief whatever; and in not holding that Plaintiff is entitled to the relief prayed for.

3. Error in holding that Defendant should have judgment against Plaintiff for the sum of Defendant's costs.

4. Error in entering any decree whatever for Defendant.

5. Error in denying Plaintiff relief from the infringing acts of Defendant complained of.

6. Error in holding that with respect to Kohler Reissue Letters Patent No. 20,024, in suit, Defendant acquired intervening rights which in equity Plaintiff may not now disturb.

7. Error in holding that those in privity with Defendant, including the manufacturer of the machine in question, use of which by Defendant is charged to be an infringement of Plaintiff's Reissue Patent No. 20,024, acquired intervening rights which in equity Plaintiff may not now disturb.

8. Error in holding that Defendant has acquired any right precluding Plaintiff from enforcing its patent rights granted to it by Reissue Patent No. 20,024 against Defendant.

9. Error in not holding that Defendant's acts complained of were committed without knowledge and without reliance upon supposed limitations of Plaintiff's original Patent No. 1958,409 of which Reissue Patent No. 20,024 is a reissue.

10. Error in not holding that no right in derogation of Plaintiff's patent rights under Reissue Patent No. 20,024 has arisen, or could arise, to the benefit of Defendant under the [222] facts of this case.

11. Error in finding as a fact that The Susu Nut Co. of Chicago, Illinois controlled and directed the defense of the above entitled suit.

12. Error in finding as a fast that "most", or any, of the new claims of Reissue Patent No. 20,024 "were framed on" the interrogatories propounded by Plaintiff and the answers of Defendant thereto.

13. Error in stating as a conclusion of law that "the Court has not found it necessary to consider any of the other defenses presented on behalf of the Defendant" in view of the defense of "intervening rights" and "the laches of the Plaintiff", no question or issue involving laches by Plaintiff having been submitted to the Court.

14. Error in stating as a conclusion of law, that the benefits of the decree "shall extend to and include the manufacturer of defendant's machine in question", said manufacturer not being a party to the suit, and there being nothing in the record of the case showing that such manufacturer controlled or in any way participated in the defense of the suit.

Now Therefore, in order that the foregoing assignment of errors may be and appear on record,

Plaintiff presents the same to the Court and prays that they may be filed and such disposition be made there of as is in accordance with the laws of the United States in that behalf made and provided, and prays that said decree be reversed and that the District Court of the United States for the Northern District of California, Southern Division be directed to [223] enter a final decree in favor of the Plaintiff and against the Defendant, sustaining Plaintiff's Bill of Complaint, holding that Defendant has acquired no "intervening right", or any other right in derogation of Plaintiff's patent rights here involved, that the claims of the Reissue Patent in suit are valid and infringed, and for the relief prayed for in said Bill of Complaint and for Plaintiff's reasonable costs of suit and for costs on appeal.

CHARLES S. EVANS
HUGH N. ORR
Attorneys for Plaintiff.

Dated May 27, 1938.

[Endorsed]: Filed May 27, 1938. [224]

[Title of District Court and Cause—No. 4133-S.]

ORDER ALLOWING APPEAL

Plaintiff, having filed a petition for an order allowing an appeal from the final decree made and entered herein on May 24, 1938, in favor of the Defendant and against the said Plaintiff, which said petition was accompanied by an assignment of

errors; now, therefore, on motion of counsel for Plaintiff, it is

Ordered, that the petition be and the same is hereby allowed and Plaintiff is hereby allowed to take an appeal to the United States Circuit Court of Appeals for the Ninth Circuit from the said final decree; and it is further

Ordered, that upon the said Plaintiff giving a good and sufficient bond or undertaking to be approved by the Court in the [225] sum of $1000.00, and conditioned as required by law, all further proceedings in this Court including the issuance of execution, be and the same are hereby suspended and stayed until the final determination of said appeal by the United States Circuit Court of Appeals for the Ninth Circuit; and it is further

Ordered, that the amount of said Plaintiff's cost bond on said appeal be and the same is hereby fixed in the sum of $250.00; and that a certified copy of the transcript of the record and proceedings herein, together with all exhibits offered in evidence, be forthwith transmitted to the United States Circuit Court of Appeals for the Ninth Circuit in the manner provided by law.

A. F. ST. SURE
United States District Judge

Dated: May 27, 1938.

[Endorsed]: Filed May 27, 1938. [226]

BOND #316092-K

3941-S

Know All Men by These Presents,

That we, National Nut Company of California, a corporation, as principal and American Surety Company of New York, as surety, are held and firmly bound unto Sontag Chain Stores Co., Ltd., a corporation, in the full and just sum of One Thousand & 00/100 ($1,000.00) dollars, to be paid to the said Sontag Chain Stores Co., Ltd., a corporation, its certain attorney, executors, administrators, or assigns; to which payment, well and truly to be made, we bind ourselves, our heirs, executors, and administrators, jointly and severally, by these presents.

Sealed with our seals and dated this 31st day of May, in the year of our Lord One Thousand Nine Hundred and Thirty-eight.

Whereas, lately at a District Court of the United States for the Northern District of California, Southern Division, in a suit depending in said Court, between National Nut Company of California, a corporation, Plaintiff, and Sontag Chain Stores Co., Ltd., a corporation, defendant, a Decree was rendered against the said National Nut Company of California, a corporation, and the said National Nut Company of California, a corporation, having obtained from said Court an order allowing an appeal to reverse the Final Decree in the aforesaid suit, and a citation directed to the said Sontag Chain Stores Co., Ltd., a corporation citing and

admonishing it to be and appear at a United States Circuit Court of Appeals for the Ninth Circuit, to be holden at San Francisco, in the State of California, within thirty days from and after May 27, 1938.

Now, the condition of the above obligation is such, That if the said Plaintiff National Nut Company of California, a corporation, shall prosecute its said appeal to effect, and [227] answer all damages and costs if it shall fail to make its plea good, then the above obligation to be void; else to remain in full force and virtue.

NATIONAL NUT COMPANY OF CALIFORNIA,

[Seal] By W. D. LOVE,
President.

AMERICAN SURETY COMPANY OF NEW YORK

[Seal] By K. F. WARRACK
Resident Vice-Pres.

Attest: B. DUCRAY
B. DUCRAY
Resident Asst. Secretary.

Acknowledged before me the day and year first above written.

[Seal] MARGARET WALKER
[Notary Public]

State of California,
City and County of San Francisco—ss.

On this thirty-first day of May, in the year one thousand nine hundred and thirty-eight, before me,

Thomas A. Dougherty, a Notary Public in and for said City and County, State aforesaid, residing therein, duly commissioned and sworn, personally appeared K. F. Warrack and B. Ducray, known to me to be the Resident Vice-President And Resident Assistant Secretary of the American Surety Company of New York, the corporation described in and that executed the within and foregoing instrument, and known to me to be the persons who executed the said instrument on behalf of the said corporation, and they both duly acknowledged to me that such corporation executed the same.

In Witness Whereof, I have hereunto set my hand and affixed my official seal, at my office, in the City and County of San Francisco, the day and year in this certificate first above written.

[Seal] THOMAS A. DOUGHERTY,
Notary Public in and for the City and County of San Francisco, State of California.

My commission expires August 4, 1939. [228]

This recognizance shall be deemed and construed to contain the "Express Agreement" for Summary judgment, and execution thereon, mentioned in Rule 34 of the District Court.

Consented to

AMERICAN SURETY CO.,
K. F. WARRACK,
R. V. P.
E. K. PETERSON,
R. A. S.

The within Bond on Appeal approved as to form.

CHAS. E. TOWNSEND
ROY C. HACKLEY, JR.,
Attorneys for Appellees

Form of bond and sufficiency of sureties approved.

MICHAEL J. ROCHE
Judge

[Endorsed]: Filed June 24, 1938. [229]

BOND # 316091-K

4133-S

Know All Men by These Presents,

That we, National Nut Company of California, a corporation as principal and American Surety Company of New York, as surety, are held and firmly bound unto Sontag Chain Stores Co., Ltd., a corporation, in the full and just sum of One Thousand & 00/100 ($1,000.00) dollars, to be paid to the said Sontag Chain Stores Co., Ltd., a corporation, its certain attorney, executors, administrators, or assigns; to which payment, well and truly to be made, we bind ourselves, our heirs, executors, and administrators, jointly and severally, by these presents.

Sealed with our seals and dated this 31st day of May in the year of our Lord One Thousand Nine Hundred and Thirty-eight.

Whereas, lately at a District Court of the United States for the Northern District of California, Southern Division in a suit depending in said Court,

between National Nut Company of California, a corporation, Plaintiff vs. Sontag Chain Stores Co., Ltd., a corporation, Defendant, a Decree was rendered against the said National Nut Company of California, a corporation and the said National Nut Company of California, a corporation, having obtained from said Court an order allowing an appeal to reverse the Final Decree in the aforesaid suit, and a citation directed to the said Sontag Chain Stores Co., Ltd., a corporation, citing and admonishing it to be and appear at a United States Circuit Court of Appeals for the Ninth Circuit, to be holden at San Francisco, in the State of California, within thirty days from and after May 27, 1938;

Now, the condition of the above obligation is such, That if the said Plaintiff National Nut Company of California, a corporation shall prosecute its said appeal to effect, and [230] answer all damages and costs if it shall fail to make its plea good, then the above obligation to be void; else to remain in full force and virtue.

NATIONAL NUT COMPANY OF CALIFORNIA

[Seal] By W. D. LOVE,
President.

AMERICAN SURETY COMPANY OF NEW YORK,

By K. F. WARRACK,
Res. Vice-President.

Attest:

[Seal] B. DUCRAY,
Resident Asst. Sec't'y.

Acknowledged before me the day and year first above written.

[Seal] MARGARET WALKER
Notary Public

State of California,
City and County of San Francisco—ss.

On this thirty-first day of May, in the year one thousand nine hundred and thirty-eight before me, Thomas A. Daugherty, a Notary Public in and for said City and County, State aforesaid, residing therein, duly commissioned and sworn, personally appeared K. F. Warrack and B. Ducray known to me to be the Resident Vice-President and Resident Assistant Secretary respectively of the American Surety Company of New York, the corporation described in and that executed the within and foregoing instrument, and known to me to be the persons who executed the said instrument on behalf of the said corporation, and they both duly acknowledged to me that such corporation executed the same.

In Witness Whereof, I have hereunto set my hand and affixed my official seal at my office in the said City and County of San Francisco, the day and year in this certificate first above written.

[Seal] THOMAS A. DAUGHERTY
Notary Public in and for the City and County of San Francisco, State of California.

My Commission expires August 4, 1939.

The within bond on appeal approved as to form.

CHAS. E. TOWNSEND
ROY C. HACKLEY, JR.,
Attorneys for Appellee. [231]

This recognizance shall be deemed and construed to contain the "Express Agreement for Summary Judgment, and execution thereon mentioned in Rule 34 of the District Court.

Consented to

AMERICAN SURETY CO.,
By K. F. WARRACK
R. V. P.
E. K. PETERSON
R. A. S.

Form of bond and sufficiency of sureties approved.
MICHAEL J. ROCHE
Judge

[Endorsed]: Filed June 24, 1938. [232]

[Title of District Court and Cause.—Nos. 3941-S and 4133-S.]

ORDER RE TRANSFER OF EXHIBITS

It is hereby ordered that the Clerk of this Court transfer and deliver to the Clerk of the United States Circuit Court of Appeals, all of the physical exhibits, documentary and otherwise admitted in evidence in the above entitled causes, as follows:

Plaintiff's Exhibits, Numbers 1 to 13 inclusive, offered at the trial of the above causes.

Defendant's Exhibits A to N inclusive offered at the trial of the above causes.

Defendant's Exhibits 1 to 8 inclusive, 9, 9a-b-c-d-e and f, and 10 to 17 inclusive, annexed to defendant's Chicago depositions.

Defendant's Exhibits, C-18 to C-37 inclusive, C-38-1 to -5 inclusive, C-39-1 to -8 inclusive, C-40, C-41-1 to -13 inclusive, C-42-a to -bb inclusive, C-43 to C-44, annexed to defendant's Cleveland depositions.

Plaintiff's Exhibits A to K inclusive, annexed to plaintiff's Cleveland rebuttal depositions.

A. F. ST. SURE
Judge of the U. S. District Court

Dated: Dec. 24, 1938.

Approved as to form:

TOWNSEND & HACKLEY
JACK E. HURSCH
Attorneys for Defendant-Appellee

[Endorsed]: Filed Dec. 24, 1938. [233]

[Title of District Court and Cause.—No. 3941-S and 4133-S.]

PRAECIPE FOR TRANSCRIPT OF RECORD ON APPEAL

To the Clerk of the Above Entitled Court:

Please prepare and certify a consolidated transcript of the records in the above entitled causes for the United States Circuit Court of Appeals for

the Ninth Circuit, consisting of the following papers and documents necessary to a determination of the cause upon appeal, and upon which the appeal heretofore taken by the plaintiff from the Final Decree of the United States District Court in the above causes shall be heard, viz: [234]

1. Bill of Complaint in #3941-S.
2. Answer in #3941-S.
3. Appearance of Additional Counsel in #3941-S.
4. Memorandum and Order (on Plaintiff's Motion to file Amended and Supplemental Bill of Complaint) filed September 18, 1936, in #3941-S.
5. Amended & Supplemental Complaint, in #3941-S.
6. Answer to Amended & Supplemental Complaint, in #3941-S.
7. Minute Order of Court (Granting Plaintiff's Motion to strike Sec. XVII of Defendant's Answer to Amended & Supplemental Complaint) dated March 8, 1937, in #3941-S.
8. Bill of Complaint in #4133-S.
9. Defendant's Answer in #4133-S.
10. Amendment to Defendant's Answer in #4133-S.
11. Plaintiff's interrogatories in #3941-S.
12. Answers & Objections to Plaintiff's Interrogatories in #3941-S.
13. Defendant's Answers to Interrogatories, 1, 2, 5, 6, 12, 16, 17 and 18, in #3941-S.

14. Defendant's Interrogatories in #4133-S.
15. Answers to Defendant's Interrogatories in #4133-S.
16. Stipulation to Consolidate causes for trial.
17. Statement of claims relied upon by Plaintiff in #3941-S.
18. Statement of claims relied upon by Plaintiff in #4133-S.
19. Order, Filed May 9, 1938.
20. Findings of Fact and Conclusions of Law.
21. Final Decree.
22. Petition for Order Allowing Appeal in #3941-S.
23. Petition for Order Allowing Appeal in #4133-S.
24. Plaintiff's Assignment of Errors in #3941-S.
25. Plaintiff's Assignment of Errors in #4133-S.
26. Order Allowing Appeal in #3941-S. [235]
27. Order Allowing Appeal in #4133-S.
28. Notice of Appeal in #3941-S.
29. Notice of Appeal in #4133-S.
30. Citation on Appeal in #3941-S.
31. Citation on Appeal in #4133-S.
32. Bond on Appeal in #3941-S.
33. Bond on Appeal in #4133-S.
34. Stipulation Consolidating Causes on Appeal.
35. Condensed Statement of Evidence.
36. All exhibits, both documentary or otherwise.
37. This Praecipe.

38. Clerk's Certificate.

Respectfully submitted,
CHARLES S. EVANS
HUGH N. ORR
Attorneys for Plaintiff.

Dated: October 7, 1938.

Receipt of a copy of the foregoing Praecipe for Transcript of Record on Appeal acknowledged this 7 day of October, 1938.

CHARLES E. TOWNSEND
ROY C. HACKLEY, JR.
Attorneys for Defendant.

[Endorsed]: Filed Oct. 7, 1938. [236]

[Title of District Court.]

CERTIFICATE OF CLERK TO TRANSCRIPT OF RECORD ON APPEAL

I, Walter B. Maling, Clerk of the United States District Court, for the Northern District of California, do hereby certify that the foregoing 236 pages, numbered from 1 to 236, inclusive, contains a full, true, and correct transcript of the records and proceedings in the cases of National Nut Company of California vs. Sontag Chain Stores Co., Ltd., No. 3941-S and National Nut Company of California vs. Sontag Chain Stores Co., Ltd., No. 4133-S, as the same now remain on file and of record in my office.

I further certify that the cost of preparing and certifying the foregoing transcript of record on appeal is the sum of $46.25 and that the said amount has been paid to me by the Attorneys for the appellants herein.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said District Court, this 5th day of January, A. D. 1939.

[Seal] WALTER B. MALING
Clerk.

B. E. O'HARA
Deputy Clerk.

[Title of District Court and Cause—No. 4133-S.]

CITATION ON APPEAL

United States of America—ss.

The President of the United States of America to Sontag Chain Stores Co., Ltd., a corporation, Greeting:

You Are Hereby Cited and Admonished to be and appear at a United States Circuit Court of Appeals for the Ninth Circuit, to be holden at the City of San Francisco, in the State of California, within thirty days from the date hereof, pursuant to an order allowing an appeal, of record in the Clerk's Office of the United States District Court for the Northern District of California, Southern Division, wherein National Nut Company of Cali-

fornia, a corporation, is appellant, and you are appellee, to show cause, if any there be, why the decree or judgment rendered against the said appellant, as in the said order allowing appeal mentioned, should not be corrected, and why speedy justice should not be done to the parties in that behalf.

Witness, the Honorable A. F. St. Sure, United States District Judge for the Northern District of California, this 27th day of May, A. D. 1938.

A. F. ST. SURE
United States District Judge.

Receipt of a copy of the foregoing Citation on Appeal is hereby acknowledged this 31st day of May, 1938.

CHAS. E. TOWNSEND
ROY C. HACKLEY, JR.
Attorneys for Appellee.

[Endorsed]: Filed June 1, 1938. [238]

[Title of District Court and Cause—No. 3941-S.]

CITATION ON APPEAL

United States of America—ss.

The President of the United States of America to Sontag Chain Stores Co., Ltd., a corporation, Greeting:

You Are Hereby Cited and Admonished to be and appear at a United States Circuit Court of Appeals for the Ninth Circuit, to be holden at the

City of San Francisco, in the State of California, within thirty days from the date hereof, pursuant to an order allowing an appeal, of record in the Clerk's Office of the United States District Court for the Northern District of California, Southern Division, wherein National Nut Company of California, a corporation, is appellant, and you are appellee, to show cause, if any there be, why the decree or judgment rendered against the said appellant, as in the said order allowing appeal mentioned, should not be corrected, and why speedy justice should not be done to the parties in that behalf.

Witness, the Honorable A. F. St. Sure, United States District Judge for the Northern District of California, this 27th day of May, A. D. 1938.

A. F. ST. SURE
United States District Judge.

Receipt of a copy of the foregoing Citation on Appeal is hereby acknowledged this 31st day of May, 1938.

CHAS. E. TOWNSEND
ROY C. HACKLEY, JR.
Attorneys for Appellee.

[Endorsed]: Filed June 1, 1938. [239]

[Endorsed]: No. 9065. United States Circuit Court of Appeals for the Ninth Circuit. National Nut Company of California, a corporation, Appellant, vs. Sontag Chain Stores Co., Ltd., a corporation, Appellee. Transcript of Record. Upon Appeals from the District Court of the United States for the Northern District of California, Southern Division.

Filed January 7, 1939.

PAUL P. O'BRIEN,
Clerk of the United States Circuit Court of Appeals for the Ninth Circuit.

No. 9065

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Appellant,

vs.

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Appellee.

Upon Appeals from the District Court of the United States for the Northern District of California, Southern Division

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PROCEEDINGS HAD IN THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT.

PARKER PRINTING COMPANY, 545 SANSOME STREET, SAN FRANCISCO

United States Circuit Court of Appeals for the Ninth Circuit.

Excerpt from Proceedings of Tuesday, June 13, 1939.

Before: Garrecht, Haney and Stephens, Circuit Judges.

ORDER OF SUBMISSION

Ordered appeals in above cause argued by Mr. Hugh N. Orr, counsel for appellant, and by Mr. Charles E. Townsend, counsel for appellee, and submitted to the court for consideration and decision.

United States Circuit Court of Appeals for the Ninth Circuit.

Excerpt from Proceedings of Friday, November 3, 1939.

Before: Garrecht, Haney and Stephens, Circuit Judges.

ORDER DIRECTING FILING OF OPINION AND DISSENTING OPINION, AND FILED AND RECORDING OF DECREE

By direction of the Court, Ordered that the typewritten opinion and dissenting opinion this day rendered by this court in above cause be forthwith filed by the clerk, and that a decree be filed and recorded in the minute of this court in accordance with the majority opinion rendered.

[Title of Circuit Court of Appeals and Cause.]

Upon Appeals from the District Court of the United States for the Northern District of California, Southern Division.

OPINION

Before: Garrecht, Haney and Stephens, Circuit Judges.

Stephens, Circuit Judge.

Appeal from district court decree in two suits in equity upon alleged infringement of patents. The patents involved are Kohler Reissue patent No. 20,024, (referred to herein as "reissue patent"), granted June 30, 1936, being reissue of original patent No. 1,958,408, (referred to herein as "original patent"), granted May 15, 1934; and Kohler Design patent No. 89,347, (referred to herein as "design patent"), granted February 28, 1933.

Complaint, alleging infringement of original patent and design patent, was filed October 19, 1935. On January 15, 1936 plaintiff applied for and was later granted a reissue of the original patent, and the original patent was surrendered. Thereupon plaintiff moved for leave to file an amended and supplemental bill of complaint, alleging the facts relating to said reissue and charging infringement thereof. Plaintiff's motion was granted in so far as it involved claims of the original patent reproduced in the reissue patent, but denied as to new claims

appearing in the reissue patent. Plaintiff thereupon brought a second suit, charging infringement of the new claims of the reissue patent subsequent to the date of the reissue. The two actions were consolidated for trial, and a single decree was made and entered thereon.

Prior to the trial, plaintiff elected to rely only upon the claim of the design patent as to the first suit, and only upon certain of the new claims of the reissue patent in the second suit. For convenience herein the suits will be referred to as the suit on the design patent and the suit on the reissue or mechanical patent respectively.

THE DESIGN PATENT

We will first consider the suit on the design patent. Defendant in its answer denied infringement and alleged its invalidity because the design was not ornamental and was only incidental to mechanical construction of the machine disclosed in the reissue patent. The trial court had before it models of the plaintiff's device and the alleged infringing device, and found no infringement. It was therefore unnecessary for the court to pass on the defense of invalidity. At the argument on appeal this court also had before it the models of the two machines, and from an examination thereof we agree with the trial court that defendant's machine does not infringe plaintiff's design patent.

In the case of Grelle v. City of Eugene, 221 Fed. 68, 71 [C. C. A. 9, 1915], we quoted from the leading case on the subject of design patents, Gorham v. White, 14 Wall., 511, 20 L. Ed. 731, as follows:

> "If, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same—if the resemblance is such as to deceive such an observer, and sufficient to induce him to purchase one, supposing it to be the other—the one first patented is infringed by the other."

This test has been uniformly followed in cases involving design patents. See cases cited in Grelle v. City of Eugene, supra. See also, Eloesser-Heyneinann Co. v. Kuh Bros., 297 Fed. 831, 833 [C. C. A. 9, 1924] and cases cited therein.

Applying the quoted test to the design patent involved herein and the alleged infringing machine, we hold with the trial court that the design patent is not infringed, even if valid.

BENEFITS OF DECREE

Plaintiff assigns as error the finding of the District Court that the device in question was manufactured by the Susu Nut Company, and that the latter company controlled and directed the defense of this suit and hence is entitled to the benefits of the judgment rendered by the District Court against plaintiff. The evidence establishes that the identical ma-

chine alleged to infringe was furnished to defendant by the Susu Nut Company, but this Company was never made a party to the actions, and there is no evidence that it participated in any phase thereof.

This court in the case of Hy-Lo Unit and Metal Products Co. v. Remote Control Mfg. Co., 83 Fed. (2d) 345, 348-50 (C. C. A. 9, 1936), fully discussed the question as to when a person not formally made a party to an action may be estopped by the decision therein. We there said (p. 350)

> "These decisions by the Supreme Court established the proposition that, in order for a person not formally made a party to a suit to be estopped by the decision therein, he must be in privity with a party thereto in the strict sense of the term *or he must not only aid in the prosecution or defense of a suit, but have the right to participate and control such prosecution or defense.* Neither in the supplemental bill or the affidavits are there any facts alleged showing a right of the appellee to participate in and conduct the defense of the action * * *." [Emphasis are by the Court.]

Again, we quoted from our previous decision in Carson Investment Co. v. Anaconda Copper Mining Co., 26 Fed. (2d) 651, 657, as follows (p. 350):

> "We agree with appellee in the contention that the judgment could not be relied upon as an estoppel merely because Anaconda Copper

Company contributed some money toward the defense * * *; but that does not meet the broader proposition that if the Anaconda Company directed its counsel to confer with counsel for the American Smelting and Refining Company, and if such counsel participated in the preparation of the case for trial and in the trial of the issues, *and if the Anaconda Company had the right to exercise joint control over the litigation,* and did actually cooperate with the American Smelting and Refining Company in the trial and appellate courts * * * it became privy to the American Smelting and Refining Company suit." [Emphasis are by the Court.]

We think that the same rules apply in the converse situation, where it is sought to give one not a party to the action the benefits of the decision rendered therein. There is no evidence whatever to the effect that the Susu Nut Company actually controlled and directed the defense of the action before us, or that it had a right to do so. It therefore follows that the trial court erred in allowing said company the benefits of the decision rendered in favor of the defendant herein. This point becomes immaterial, however, as to the suit on the reissue patent, in view of our decision hereinafter announced that the decree rendered by the trial court in that suit should be reversed.

INTERVENING RIGHTS.

Answering to the suit on the reissue patent, defendant alleged that the reissue patent was invalid, and that plaintiff was estopped from enforcing any right of action thereon because after the issuance of and with full knowledge of the original patent and its claims, and relying upon the omission therefrom of claims 5 to 17 inclusive of the reissue patent, and before the reissue had been applied for, defendant "had publicly used the device complained of" thereby creating "intervening rights."

Defendant's answers to plaintiff's interrogatories are to the effect that the defendant acquired the alleged infringing machine between March 18, 1935, and April 1, 1935, and that at the time of said acquisition defendant did not know of the existence of plaintiff's original patent. It further appears that defendant first learned of plaintiff's patent six months after the acquisition of the alleged infringing device, or about October 9, 1935. Plaintiff's application for a reissue patent was filed a little over three months later, on January 15, 1936. This testimony is in direct contradiction of defendant's answer wherein it is alleged that the alleged infringing machine was used by defendant with knowledge of the plaintiff's original patent and the scope of the claims thereof, and in reliance thereon.

Simply stated, appellee claims that since the reissue contained broader claims than the original patent, the use of the machine by the appellee in the

period between the date of the original patent and the date of the application for the reissue constitutes "intervening rights"—and that such rights constitute an absolute defense to this action, regardless of notice.

Appellant urges that under the patent laws it has an absolute right to a reissue, provided the application therefor is made within two years after the date of the original patent, and at least in the absence of facts creating an estoppel, defendant-appellee cannot complain. In this connection appellant points to the fact that the defendant admits that it did not know of appellant's original patent until six months after it acquired the alleged infringing machine, and hence there was no reliance on the omission of the broader claims from the original patent.

Defendant in its brief states, "The real party here in interest, of course, is the manufacturer. Since everyone is presumed to have notice of an issued patent, we may assume that the manufacturer did have knowledge of the issuance of the original Kohler patent." The argument seems to be that since the manufacturer had presumptive knowledge of the original patent, it must have acted in reliance on the narrow scope of the claims thereof in manufacturing the machine in question, and that the manufacturer thereby acquired intervening rights which would bar an action against it. While it is not expressly so argued in defendant's brief, the theory upon which defendant seems here to rely is that

these "intervening rights" give the manufacturer a perpetual license to make, use and sell machines of the type of the infringing machine here involved, and that this immunity from suit would extend to those acquiring such machines from the manufacturer.

As stated above, defendant acquired the machine in question from the Susu Nut Company, and at the time of acquisition defendant had no knowledge of the existence of plaintiff's patent. There is no evidence in the record as to whether the Susu Nut Company [assuming it is the manufacturer] had knowledge of the patent and relied on the narrow claims thereof in manufacturing the machine. We do not think it sufficient to say, as does the defendant, that "since everyone is presumed to have notice of an issued patent, we may assume that this manufacturer did have knowledge of the issuance of the original Kohler patent," for we have no evidence showing that the manufacturer expended any sums or prejudiced itself in reliance on the omission of claims from plaintiff's patent during the period between the date of the original patent and the application for reissue. The burden of proving a defense of laches or estoppel is on the defendant, [Rajah Auto Supply Co. v. Belvidere Screw and Machine Co., 275 Fed. 761, 766 [C. C. A. 7, 1921]], and in the absence of evidence showing such facts, we must assume that the manufacturer did not expend sums

during the period in question in reliance on the omission of claims from plaintiff's original patent. Nor is there any showing that the manufacturer entered the field two years prior to the application for the reissue. Therefore the defendant in this suit is not aided by any theory that it acquired the machine from one who had an immunity from suit prior to the time of the reissue, and by reason thereof was likewise protected by such immunity.

We must take the question to be decided as this:

> Does the acquisition and use by defendant of an admittedly infringing device for a period of less than two years between the date of plaintiff's original patent and the date of plaintiff's application for a broadened reissue, [assuming a valid reissue patent], without knowledge of or reliance upon the scope of plaintiff's original patent, constitute intervening rights which will serve as a defense to a suit for infringement, and if so, does the immunity from suit extend beyond the date of the reissue?

To determine this question it is necessary to examine into the law relative to reissues.

The first Supreme Court ruling on the subject was in the case of Grant v. Raymond, 6 Pet. (31 U. S.) 218, 243, 8 L. Ed. 376 (1832), which arose prior to the adoption of any statute authorizing reissues. The patentee had petitioned the Secretary of State, then the proper officer in the premises, for a correc-

tion of his patent, stating that the specifications thereof were defective. The petition was granted, and the Secretary of State issued to the patentee a new patent for the same invention, with corrected specifications, to run for the unexpired period of the original patent. Upon validity of the proceeding being questioned in court it was held that the original patent might be surrendered when the defect arose from inadvertence or mistake, and without any fraud or misconduct on the part of the patentee, and that the Secretary of State had authority to accept such surrender and to issue a new patent for the unexpired portion of the term of the original patent.

This decision was shortly followed by a Congressional statute regulating the granting of reissues [4 Stat. at L. c. 162, §3, p. 559.] and this statute as amended is still in effect. [Last amendment May 24, 1928 (c. 730, 45 Stat. 732, 35 U. S. C. 64)].

We will leave for later discussion herein the grounds for reissue, confining our present discussion to the growth of the doctrine of "intervening rights" as related to broadened reissues.

The doctrine that an applicant for reissue might be barred by lapse of time was first introduced into our patent laws in the case of Miller v. Bridgeport Brass, 104 U. S. 350, 26 L. Ed. 783 [1882], wherein the Supreme Court held that an omission of claims from a patent constitutes a dedication to the public

of that which is not claimed. After laying down this principle the court says:

> "If two years public enjoyment of an invention with the consent and allowance of the inventor, is evidence of abandonment, and a bar to an application for a patent, a public disclaimer in the patent itself should be construed equally favorable to the public. Nothing but a clear mistake or inadvertence, and a speedy application in its correction, is admissible when it is sought merely to enlarge the claim."

Thus, a broadened reissue, applied for more than two years after the date of the original patent, is held to be invalid in the absence of special circumstances justifying a longer delay.

In the case of White v. Dunbar, 119 U. S. 47, 30 L. Ed. 303 [1886], the Supreme Court announced that the rule of Miller v. Brass Co. supra, is not qualified by the presence or absence of intervening rights.

The case of Topliff v. Topliff, 145 U. S. 156, 12 Sup. Ct. 825, 36 L. Ed. 658 [1892] is strongly relied on by defendant. It is defendant's contention that the cited case supports a doctrine that intervening rights will invalidate a broadened reissue. An examination of the case, however, discloses that intervening rights were not involved, since the defendant had not built his alleged infringing device until six years after the grant of plaintiff's reissue. The

court reviewed the decisions since Miller v. Brass Co., supra, and came to the conclusion that the reissue patent was valid. It reiterated the two-year rule of the Brass Co. case, stating that the lapse of two years will ordinarily, though not always be treated as evidence of abandonment of new matter to the public to the same extent that a failure of an inventor to apply for a patent within two years from the public use or sale of his invention is regarded by the statute as conclusive evidence of an abandonment of the patent to the public.

In the court's discussion of the claims in suit in the Topliff case, the following statement appears (p. 829):

> "Whether this be an enlargement of the original claim or not, it is for the same invention, and, in view of the fact that the reissue was applied for as soon as the mistake was discovered, *and before any rights in favor of third parties could reasonably be expected to have attached, or had in fact attached,* we think this reissue is not open to the objections which have proved fatal to so many since the case of Miller v. Brass Co., 104 U. S. 350, was decided." [Italics are by the Court.]

The italicized portion is relied upon by defendant in his contention that the case is authority on the question of "intervening rights". Of the seventeen cases reviewed by the court, all but two involved reissues

applied for more than two years after the issuance of the original patents, and in each case where the court had held the reissue invalid it was for that reason. Therefore they can not be said to be authority on the question of intervening rights. There remain two other cases cited by the court in the Topliff decision, Parker and W. Co. v. Yale Co., 123 U. S. 87, 8 Sup. Ct. 38, 31 L. Ed. 100 [1887], and Coon v. Wilson, 113 U. S. 268, 5 Sup. Ct. 537, 21 L. Ed. 963 [1885], to be examined to determine whether they are authority on the question before us.

In Parker v. Yale Clock Co., supra, a period of approximately one year and eight months elapsed between the date of the original patent and the application for reissue. The reissue was held *invalid* because it was not for the same invention as the original, and the Supreme Court approved the finding. We quote from page 42 (8 Sup. Ct. 38):

> "the eight claims which are in controversy are a total abandonment of the principles which are stated in the original patent to be those of the invention, and are an introduction into the reissue of a subject-matter which has no relation to the original patent, except that each patent relates to clocks."

While it is true that the defendant had manufactured its clocks six months before the application for reissue, that does not seem to be the controlling

factor of the decision. It had uniformly been held that a reissue cannot be granted except for the same invention as the original, and this case merely followed that general rule.

In Coon v. Wilson, supra, the delay in applying for the reissue was only a little over three months. In the interim the defendant had manufactured the alleged infringing article. However, an analysis of this case would indicate that the decision was based upon the fact that the reissue was *invalid* for the same reason as that in the Yale Clock case. The court in this connection said, (p. 542):

> "The description in the reissue is not a more clear and satisfactory statement of what is described in the original patent, *but is a description of a different thing.* * * * The original patent industriously excluded from its scope a continuous band. In the reissue, to cover a continuous graduated band, the two bands, B.B., are converted into a single band * * *." [Italics are by the Court.]

Two cases decided after the Topliff case, supra, which are relied on by the defendant, where reissues were applied for within two years from the date of the original patent, are Leggett v. Standard Oil Co., 149 U. S. 287, 13 Sup. Ct. 902 [1893]; and Dunham v. Dennison Manufacturing Co., 154 U. S. 103, 14 Sup. Ct. 986 [1894]. It appears, however, that both of these cases were also decided on the basis that the

reissues were invalid as an unwarranted expansion of the claims. In the Leggett case the first patent was for a process, the specifications containing the following language:

> "This invention has nothing to do with the glue-lined barrel as an article of manufacture, but relates particularly to a new and inexpensive process of constructing a glue-lined barrel, cask, etc."

The expanded claims of the reissue claimed the barrel as an article; and the Supreme Court held it invalid as being for a different invention. In the Dunham case the court in holding the reissue invalid stated that the new claims were "neither described nor claimed in the original."

In 1917 the case of Abercrombie and F. Co. v. Baldwin, 245 U. S. 198, 38 Sup. Ct. 104, 62 L. Ed. 240, was decided by the Supreme Court. The defense was that the reissue was applied for seven years after the original application and that "intervening rights" had accrued. The court held that the reissue was valid, though a seven year period had elapsed before the application, since it did not enlarge the scope of the original patent. As to the defense of "intervening rights" the court approved language of the trial court to the effect that since the defendant entered the field at a time when the scope and validity of the original patent were still unquestioned, the defendant "took its chances" as

to infringement litigation after the granting of the reissue patent.[1]

Keller v. Adams-Campbell Co., 287 Fed. 838 [C. C. A. 9, 1923] is cited by defendant, it being contended that this court therein held that an "intervening right" may be acquired by a defendant, even without knowledge on his part of plaintiff's patent and within two years from the date of the original, and that such right operates as a perpetual bar to suit for infringement by defendant. While the Keller case was actually decided on the basis of noninfringement, it is interesting to note the quotation from the opinion on which defendant so strongly relies. We are italicizing the portion of the quotation which defendant's counsel omitted from his brief, the omission being indicated in the brief by the use of asterisks. We think the completion of the quotation indicates that the court was reasoning toward a conclusion the very opposite to the one drawn by counsel, that is, that the court was reasoning that the notice of the plaintiff's patent and reliance on the limitations thereof on the part of the defendant estopped the plaintiff from suing for infringement. The quotation reads [p. 841]:

> "The evidence shows that, prior to any knowledge on their part of the Keller patent, the

[1]The statement of facts by the trial court [227 Fed. 455] discloses that the defendant sold the first infringing lamps in July, 1911. The reissue was applied for by plaintiff in February, 1913, less than two years thereafter.

appellees had been working on their device, and had made and sold a few of them, but subsequently learned of and became familiar with the original Keller patent, *and before proceeding with the manufacture and sale of their own device, and prior to the making of the application for the reissued Keller patent, they applied to the attorneys who procured the original Keller patent for information as to whether their device was an infringement upon that of Keller, saying that they did not wish to infringe, and, being told that it would not be an infringement, they proceeded with the manufacture and sale of their own on a substantial basis.* We therefore think it clear that the appellees had and have such intervening rights as were protected by the court below." [Italics are by the Court.]

Certiorari having been previously granted in the Keller case, it was dismissed by the United States Supreme Court for the reason that the plaintiff's patent had not been infringed and that, therefore, the question of intervening rights was not involved [264 U. S. 314]. In discussing the question in connection with its order dismissing the writ, the court took occasion to say, [p. 317]

"We granted certiorari upon the allegation of the petition, not denied by opposing counsel, that the sole question was whether one who

makes and sells articles not covered by the claims of an original patent, but embraced by the enlarged claims of a subsequent valid reissue, applied for within seven months after the original was granted, has intervening rights such that he is not only immune from liability for what he has made and sold, but enjoys an irrevocable and permanent license to continue to make and sell without restriction.

"The extent of the operation of the estoppel creating intervening rights in such a case presents a question not free from difficulty. That a reissued patent enlarging claims of the original, though not specifically mentioned in §4916, Rev. Stats., is authorized by that section, when the failure to claim the larger claims justified by the actual invention was due to inadvertence, accident or mistake, is settled by the decision of this Court in Topliff v. Topliff, 145 U. S. 156, and other cases. That case also recognizes that one who, pending the application and granting of the reissue, manufactures and sells articles which infringe the reissued patent may be protected on principles of estoppel from the literal application of §4916, Rev. Stats., which makes the operation of the reissue relate to the date of the original patent. In Abercrombie and Fitch Co. v. Baldwin, 245 U. S. 198, a change in the reissue of the language of an original claim made it cover not only a bent pipe as shown, but

a straight pipe as well, where the substance of the invention included both, and it was held that the intervening rights of immunity of the infringer did not extend beyond the date of the reissue. It is insisted, however, that the Fitch case was not one of an enlarged claim, or at any rate that a reissue was unnecessary because the original claim would have sufficed. The views of the Circuit Courts of Appeals on the general subject of the scope of intervening rights are not entirely easy to reconcile. [citing cases.] The question, if it were really before us, would be one sufficiently important therefore to justify our consideration of it on certiorari."

In order to ascertain, if we can, the correct rule, we now proceed to an examination of the Circuit Courts of Appeals cases cited by the Supreme Court in its discussion in the Keller case.

Crown Cork and Seal Co. v. Aluminum Stopper Co., 108 Fed. 845 [C. C. A. 4, 1901], involved a reissue applied for within seven months after the issuance of the original. It contained broader claims than the original, but the court held it was "for the same invention." The defendants had applied for their patent on the alleged infringing device before the issuance of plaintiff's original patent. Defendant's patent was issued in the period between the issuance of plaintiff's original patent and the application for reissue. The Circuit Court held that the

defendants were presumed to have knowledge of plaintiff's right under the law to a reissue, and as they were also familiar with plaintiff's invention they could not claim that plaintiff was estopped to assert his rights under the reissued patent.

A. D. Howe Mach. Co. v. Coffield Motor Washer Co., 197 Fed. 541 [C. C. A. 4, 1912] also involved a broadened reissue for the same invention as the original. The reissue was applied for seven and a half months after the issuance of the original. The court found that the defendant acted with knowledge of plaintiff's device and set about appropriating it. The defense of intervening rights was denied.

In Autopiano Co. v. American Player Action Co., 222 Fed. 276 (C. C. A. 2, 1915), there were two reissues involved. The first reissue was applied for seven years after the issuance of the original. This reissue surrendered all the original claims and substituted four new claims. Eight months after the application for the first reissue an application for a second reissue was filed, alleging that the surrender of the original claims was inadvertent, and seeking to recapture the original claims. The defendant had commenced the manufacture of the infringing device between the dates of the first and second reissue. The court held that intervening rights would prevent a recovery. There seems to us to be no conflict between this case and the Crown Cork and Seal Co. and A. D. Howe Mach. Co. cases, supra,

since here the period of two years from the date of the original patent had elapsed before the application for either reissue was filed. In the Autopiano Co. case the defendant had a right to rely on the surrender of the original claims after that two-year period had expired.

The last case cited by the Supreme Court in the Keller case, supra, is American Automotoneer Co. v. Porter, 232 Fed. 456 [C. C. A. 6, 1916]. The original patent was issued in January, 1906, and the broadened reissue was applied for in March, 1907. Defendant had applied for his patent on the infringing machine before the issuance of plaintiff's original patent. Defendant's patent was issued, and defendant paid the necessary fees for its issuance during the period between the issuance of plaintiff's original patent and his application for reissue. The court held that the defendant had acquired no intervening rights by the payment of such fees—that the defendant was already committed to the payment thereof before the issuance of plaintiff's original patent.

After the dismissal of the writ in the Keller case, supra, the Supreme Court granted certiorari in the case of General Refractories Co. v. Ashland Fire Brick Co., 27 Fed. (2d) 744 [C. C. A. 6, 1928]. But the petition for a writ of certiorari was thereafter, and before decision, dismissed on motion of the petitioner [278 U. S. 662, 49 Sup. Ct. 7 (1928)]. In the General Refractories case the broadened reissue was

applied for within two years from the date of the original patent. The trial court [15 Fed. (2d) 215, (Dist. Ct. E. D. Ky., 1926)] made a very comprehensive analysis of the cases involving the so-called doctrine of "intervening rights." As a result of such analysis the court held that where the application for a reissue was applied for within two years from the date of the original patent, no intervening rights could accrue. On appeal to the Circuit Court of Appeals [27 Fed. (2d) 744, (C. C. A. 6, 1928)] the court emphasized the fact that the defendant had acted with knowledge of the plaintiff's device and in reliance on the omission of the broader claims. The trial court was reversed, the appellate court holding that the defendant had acquired intervening rights which made it immune from suit on infringement of the broadened claims. The appellate court conceded that the Supreme Court had never expressly upheld the defense of a private intervening right, but concluded that the basis of the rule was estoppel, and found facts in the case before it to estop the plaintiff from suing for infringement.

In Supreme Mfg. Corp. v. Security Mfg. Co., 299 Fed. 65 [C. C. A. 9, 1924], this court had before it an infringement suit on a broadened reissue patent applied for five years and five months after the date of the original patent. We said, [p. 68]

> "Where a patentee seeks a reissue with broadened claims five years and five months after the original issue, it must be presumed, in the ab-

> sence of a showing that the delay was unavoidable, that he abandoned the new matter to the public."

and held for the defendant. In our discussion of the case we made the following statement, which is relied upon by defendant as an expression of this court that the use by a defendant of the infringing device between the date of the original patent and the application for reissue will constitute intervening rights which will bar an infringement action: [p. 68]

> "The appellant here has intervening rights as against the reissue, for it has acquired the right to manufacture and sell that which Ellis failed to claim, and having expended considerable sums of money in the manufacture of a device at a time when the original patent was as yet unsurrendered, it cannot be held to infringe the added claims of the reissue."

The quoted language, however, must be read in the light of the facts before us, namely, where the broadened reissue was applied for more than two years after the date of the original patent.

None of the cases cited by the defendant, and decided by the Supreme Court subsequent to dismissal of the writ in the Keller case, supra, are helpful on the question of intervening rights.

Webster v. Splitdorf, 264 U. S. 463, 44 Sup. Ct. 342, 68 L. Ed. 792, involved a divisional application.

rather than a reissue. Broadened claims were added by the divisional application more than eight years after the filing of the original application, and the court held that the prima facie two-year rule is applicable to divisional applications as well as to reissues.

Powers Kennedy v. Concrete Mixing etc. Co., 282 U. S. 175, did not involve a reissue or intervening rights, the court holding that the patent in question was invalid because of an unwarranted expansion of the claims by amendment some four years after the original application.

Mackay Radio and Telegraph Co. v. Radio Corp. of America, 306 U. S. 86, 59 Sup. Ct. 435 (1939) also involves a patent which the court held invalid, because expanded claims introduced an entirely new theory into the patent application. The case is not authority on the question of intervening rights in a valid reissue patent.

It would serve no useful purpose to analyze the remainder of the cases cited by defendant. No case has been cited wherein the Supreme Court has ruled on the extent of the estoppel creating intervening rights in an otherwise valid reissue. Therefore, as said by the trial court, in General Refractories Co. v. Ashland Fire Brick Co., supra, [p. 218]

> "It is a challenge to anyone confronted with such a question [referring to the so-called doctrine of 'intervening rights'] to think it through, and see if it is not possible to reach a personal conviction in regard to it."

It would seem that the doctrine of Miller v. Brass, supra, has its basis in the fundamental rule that a patent applied for after two years of public use is invalid. The court in the Brass Co. case states that an omission of claims from a patent constitutes a dedication to the public of that which is not claimed, and therefore a reissue for the purpose of enlarging claims applied for after two years from the date of the original patent is likewise invalid. The distinction between an invalid reissue and one where "intervening rights" might constitute a defense to an action for infringement is borne out by the language of the Supreme Court in White v. Dunbar, supra, [p. 52]:

> "We attach no importance to the fact that between the date of the original patent and the application for the reissue, the patent to Pecor and Bartlett was granted. * * * *The circumstance that other improvements and inventions, made after the issue of a patent, are often sought to be suppressed or appropriated by an unauthorized reissue, has sometimes been referred to for the purpose of illustrating the evil consequences of granting such reissues; but it adds nothing to their illegality.* That is deduced from general principles of law as applied to statutes authorizing reissues, and affecting the rights of the government and the public." [Italics are by the Court.]

The Topliff case, supra, apparently recognizes that there may be instances where "intervening rights" will constitute a defense to an action for infringement, but the later expressions of the Supreme Court in commenting on that case in connection with the Keller case, supra, indicates that the "intervening rights" were not considered as a bar to an action for infringement after the issuance of an otherwise valid reissue. We quote again from the Keller case [p. 317]:

> "That case [Topliff] also recognizes that one who, pending the application and granting of the reissue, manufactures and sells articles which infringe the reissued patent *may be protected on principles of estoppel from the literal application of §4916, Rev. Stats., which makes the operation of the reissue relate to the date of the original patent.*" [Italics are by the Court.]

In other words, it seems as though the Supreme Court recognizes that while a reissue operates back to the date of the original patent, there could be circumstances which would estop the patentee from claiming such retroactive application. This is further borne out by the decision in the Abererombie case, supra, where the reissue though applied for after the two-year period, was nevertheless held valid. The court there denied the defense of intervening rights after the date of the reissue, but relieved the defendant of accounting for the period

prior to the reissue. We recognize that the Abercrombie case is not authority in respect to a broadened reissue, since the court gave as its reason for holding the reissue valid the fact that the added claims were narrower than those of the original, still the reasoning of the court in that case would seem to apply as well to any other valid reissue. That the Supreme Court intended its decision in the Abercrombie case to settle the question of the extent of the estoppel created by intervening rights is further indicated by its expression in the Keller case, above quoted: [p. 317]

> "In Abercrombie and Fitch Co. v. Baldwin, 245 U. S. 198, a change, in the reissue, of the language of an original claim made it cover not only a bent pipe as shown, but a straight pipe as well, where the substance of the invention included both, *and it was held that the intervening rights of immunity of the infringer did not extend beyond the date of the reissue.*"

To summarize, the cited cases lay down principles from which the following rules may be drawn:

1. A broadened reissue applied for more than two years from the date of the original patent is invalid in the absence of special circumstances justifying the delay, which invalidity is not affected by the presence or absence of intervening rights. The invalidity of a belated reissue broadening the claims

of the patent has its basis in the general patent law invalidating a patent applied for after two years of public use.

2. Since it is two years public use that will prevent an inventor from obtaining a patent, it follows that in the absence of knowledge of and reliance on the original patent, or facts creating an estoppel, a defendant relying on "intervening rights" as a defense must show two years use prior to the date of the application for the broadened reissue. It is conceivable that such use might start prior to the issuance of the original patent, in which event the two years period would expire before the reissue would be barred under (1) above. Or, the broadened reissue might be applied for more than two years after the issuance of the original, but nevertheless be valid because of sufficient excuse for the delay. In such instance, too, a defense of "intervening rights" might arise.

Where the defendant can show two years use of the patent prior to the application for the broadened reissue, it would seem that it might constitute an absolute defense, extending beyond the date of the reissue. This it is not necessary to now decide.

3. When the defense of "intervening rights" is not based on two years user of the patent, it can only arise from knowledge of and reliance on the original patent, or facts creating an estoppel. The defense in these circumstances would prevent the retroactive application of the reissue, and make

the defendant immune from suit for infringement up to the date of the reissue. Here the grant of the valid reissue might cut off the rights of the adverse user, and make him liable for infringement thereafter, depending upon the circumstances of the case.

In the instant case there was admittedly no knowledge of or reliance on the scope of plaintiff's patent, and no facts creating an estoppel. Furthermore, defendant has not shown a two-years user of the infringing patent. The defense of intervening rights is denied.

VALIDITY OF REISSUE

The above discussion presupposes a valid reissue. Defendant, however, contends that the reissue is invalid for various reasons.

At this point it should be noted that a suggestion has been made that the parties stipulated to submission of the case on the question of "intervening rights," and that it is therefore improper to consider the other defenses. The trial court, having held for the defendant on the defense of intervening rights, found it unnecessary to pass upon the validity of the plaintiff's patent, and therefore the question of the extent of the stipulation did not arise below.

At the trial the following colloquy took place, with reference to submission of the suit on the reissue patent:

"The Court: I am wondering why this case should not be submitted upon the issue of the intervening rights. * * *

* * * * * * *

"Mr. Orr [counsel for plaintiff]: I am willing to do that, submit it on the question of intervening rights, if counsel wishes to do that.

* * * * * * *

"Mr. Townsend: We admit infringement if the patents are valid. We admit any one of these claims, we will take claim 6 or 10 of the reissue is infringed if the patents are valid * * * As to the prior art we would offer the patents."

Evidence as to patents affecting the prior art was hen received.

The only stipulation, therefore, so far as defendnt's defenses are concerned, was that plaintiff's patent was infringed, assuming but not admitting he validity of the patent.

The first ground of invalidity urged by defendnt is that the error in the original did not arise from "inadvertence, accident, or mistake" as required by the statute [§4916 U. S. R. S.][2]

[2] "Reissue of defective patents; patents for separate parts. Whenever any patent is inoperative or invalid, by reason of a defective or insufficient specification, or by reason of the patentee claiming as his own invention or discovery more than he had a right to claim as new, if the error has arisen by inad-

Other grounds of invalidity urged are that the reissue was for a "different invention;" that the original patent was not "inoperative;" and that "fraudulent or deceptive intent" was not absent in the application for reissue. Defendant also urges the usual defenses of anticipation and the prior art.

We shall first deal with the defenses as related to the validity of the reissue as such.

The Supreme Court in Topliff v. Topliff, supra, after reviewing the authorities relative to reissues laid down the following rules: [p. 831]:

> "From this summary of authorities it may be regarded as the settled rule of this court that the power to reissue may be exercised when the patent is inoperative by reason of the fact that the specification as originally drawn was defective or insufficient, or the claims were narrower than the actual invention of the patentee, provided the error has arisen from inadvertence or mistake, and the patentee is guilty of no fraud or deception, but that such reissues are subject to the following qualifications.

---

vertence, accident, or mistake, and without any fraudulent or deceptive intention, the commissioner shall, on the surrender of such patent and the payment of the duty required by law, cause a new patent for the same invention, and in accordance with the corrected specification, to be issued to the patentee, or, in the case of his death or of an assignment of the whole or any undivided part of the original patent, then to his executors, administrators, or assigns, for the unexpired part of the term of the original patent. * * *".

"First: That it shall be for the same invention as the original patent, as such invention appears from the specifications and claims of the original.

"Second: That due diligence must be exercised in discovering the mistake in the original patent, * * *

"Third: That this court will not review the decision of the commissioner upon the question of inadvertence, accident, or mistake, unless the matter is manifest from the record, * * *."

This court has on several occasions recognized the rule referred to in the Topliff case, supra, that from the reissuance of a patent it is to be presumed that the law was complied with, and that the decision of the Commissioner of Patents in this regard will not be reviewed unless the matter is manifest from the record. John J. Kitchen Jr. Co. v. Levison, 188 Fed. 658, 661, [C. C. A. 9, 1911], Perfection Disappearing Bed Co. v. Murphy Wall Bed Co., 266 Fed. 698, 699, [C. C. A. 9, 1920]; Reinharts, Inc., v. Caterpillar Tractor Co., 85 Fed. (2d) 628, 630, [C. C. A. 9, 1936], and cases cited therein.

Inadvertence, Accident or Mistake

On the question of "inadvertence or mistake" we quote from our decision in Perfection Disappearing Bed Co. v. Murphy Wall Bed Co., supra, at page 699:

> "From the foregoing decision and others it is obvious that the words 'inadvertence or mistake' are used in the statute as the antitheses to 'fraudulent intent', and that in the absence of fraud the failure of an inventor or his solicitor to put the claims in such form as will cover the entire invention is 'inadvertence', within the meaning of the statute, and that to justify a reissue it is not necessary that the original patent shall be inoperative, but it is sufficient if it fail to secure to the patentee the whole of his invention."

See American Automotoneer Co. v. Porter, supra, at page 460.

Defendant contends, however, that in the instant case the lack of inadvertence, accident or mistake is apparent from the record, and points to certain claims originally presented and then cancelled from the original application. Defendant cites cases to the effect that erroneous judgment in acquiescing in the rejection of claims is not inadvertence, accident or mistake within the meaning of the statute, and claims thus cancelled from the original application cannot be recaptured by reissue. Yale Lock Co. v. Berkshire Bank, 135 U.S. 342; Corbin v. Eagle Lock Co., 150 U.S. 38; Union Switch and Signal Co. v. Louisville Co., 73 Fed. (2d) 550.

An examination of the file wrappers shows that at the time of its presentation, the original application contained twenty claims, all of which were re-

jected by the patent examiner. Thereupon the attorney for the patentee cancelled all twenty claims and substituted four new claims, which were allowed without further question.

A comparison of the claims originally presented, however, taking into consideration the claims substituted therefor in the original application at the time of their cancellation, with the new claims of the reissue patent, shows that the new claims differ materially both in terms and scope from the cancelled claims, and that the claims of the scope of the claims here in suit were never in, and cancelled from, the original application. In our opinion the lack of inadvertence accident or mistake is not manifest from the record, and we therefore will not disturb the finding of the patent examiner as evidenced by the reissue of the patent.

Defendant next contends that since the application for reissue was filed after the first suit herein was instituted, and after it was discovered that the original claims were not broad enough to include defendant's device, that fact is evidence of "fraudulent or deceptive intention." We do not agree with defendant in this contention. We find no evidence in the record indicating a fraudulent intent on the part of the patentee in unnecessarily limiting the claims in his original application.

Inoperative or Invalid

Defendant further contends that the statute has not been complied with in that the original patent

was not "inoperative" or "invalid." It points to the fact that the same four claims were incorporated in the reissue as conclusive evidence on the question. We do not follow defendant here. In American Automotoneer Co. v. Porter, supra, the court discussed the "inoperative or invalid" provision of the statute authorizing reissues, as follows [p. 459]:

> "The statute does not say 'wholly inoperative'; and although a patent may, in the strict sense, be operative if it grants any monopoly of anything, yet if it fails to secure to the inventor the monopoly of his actual invention, it surely does not operate according to the intent of the law. Thompson v. Wooster, 114 U.S. 104, 115, 5 Sup. Ct. 788, 29 L.Ed. 105; Giant Co. v. Nitro Co. [C.C., Sawyer, C.J.], 19 Fed. 509, 510. Further, we find the statute saying, 'by reason of a defective or insufficient specification or by reason of the patentee claiming as his own invention or discovery more than he had a right to claim as new,' and this means (interpreting 'specification' according to its true force) inoperative by reason of defective description or insufficient claims or invalid by reason of too broad claims."

Same Invention

The remaining requirement of a valid reissue is that it be for the same invention.

An analysis of the cases dealing with reissues will show that there is a distinction well marked between reissues broadening the claims of the original, but confined to the invention therein exhibited, which the courts sustain, and reissues that depart from the invention exhibited in the original and included under its statement of invention.

A reading of the new claims of the reissue herein convinces us that they do not exhibit any change in the nature of the invention described, but that they simply give a more adequate description of the invention, enlarging the claims but not enlarging the invention.

It is our conclusion that the reissue is one which is authorized by the statute.

PRIOR ART

Defendant next urges invalidity of the patent because of the prior art.

Plaintiff company is engaged in the business of importing, packing and wholesale selling of edible nuts. Kohler, for whose invention the patents in suit were granted, was an employee connected with plaintiff company since 1923.

At the suggestion of plaintiff company, Kohler undertook the problem of devising an apparatus by which it would be possible to heat a supply of nuts in the retail stores, and to keep them in the heated condition so that they could be served to the public directly from the apparatus. The machine which is the subject of the instant suit was

designed by Kohler beginning the latter part of September, 1931, and continuing to the early part of February, 1932. It was completed and successfully operated during the week immediately preceding February 20, 1932, and on the latter date one machine was actually delivered to a retail store for use.

The Kohler machine, briefly described, comprises a base on which is mounted one or more pans open at the top to allow the addition and removal of nut meats. The pan is arranged to be rotated by driving mechanism including a motor mounted within the base. Adjacent to each pan is mounted a heating element and reflector arranged to radiate and reflect heat onto the pan and its contents. The heating element is arranged in three different speeds. There is also mounted on the base a paddle or stirrer which, as the pan rotates, tends to displace the nuts so that they are uniformly heated. The paddle is removable, and used only when the highest heat is being applied. The claims in suit, however, are silent as to the paddle or stirrer. Defendant's device does not utilize a stirrer.

As affecting the validity of the claims of the Kohler reissue patent, here in suit, defendant relies upon a group of prior art patents, which we will discuss separately.

Overton Patent

The first patent referred to by defendant is Overton Patent No. 532,089, issued January 8, 1895.

This patent had expired, but defendant relies upon the maxim "That which infringes if later, anticipates if earlier." The Overton patent describes a portable drier. It contains no heating element, but constitutes merely a device to stand on a stove. The pan is covered, and there is no means for rotating the same. We are convinced that the Overton device would not infringe any of plaintiff's claims in suit, hence the above referred to maxim is not applicable.

Pearson Patent

Pearson Patent No. 239,269, issued March 22, 1881, described a coffee roasting machine. The coffee was roasted in batches, and the whole batch was removed when the roasting process was complete. The roasting pan was covered with a screen cover, and the contents could not be removed while the machine was in operation. It was therefore not practical for use as a dispensing machine. Too, the roasting process differed from the Kohler heating process in that the pan was moved bodily into and out of a heating chamber.

Thompson Patent

Thompson Patent No. 1,786,877, issued December 30, 1930, disclosed a corn popper. It consisted of a stationary pan resting directly on the heating element. The contents of the pan were agitated by means of a revolving arm.

We do not think that the Kohler patent, utilizing a revolving pan with a stationary paddle, can properly be said, as contended for by defendant, to be a mere reversal of parts and hence not patentable. Furthermore, there are other material differences between the Thompson and Kohler patents. The pan of the Thompson device was closed, thereby making it impractical for use as a dispensing machine, and the machine was not adaptable to gentle heating as was the Kohler device.

Young Patent

Young Patent No. 858,318, was cited by the Patent Office in its preliminary rejection of Kohler claims, but Kohler patent was thereafter issued over Young.

The Young device was a corn popper. The heater was built in the bottom of the pan, and spaced from the pan bottom by insulating material. The pan was covered, and it was in no sense a dispensing machine.

Kelly Patent

Defendant places great reliance on Kelly patent, No. 1,945,196, issued January 30, 1934, contending that Kelly was the prior inventor. There seems little question that if Kelly was in fact prior to Kohler, the Kohler patent is invalid, as the two devices do have many common features, which it is unnecessary for us to point out in view of our finding, as hereinafter explained, that Kohler was prior to Kelly.

It appears that in the fall of 1931, Kelly employed one Grier to develop a nut warming machine. The first lay-out of the machine was started on September 23, 1931. This lay-out however, disclosed a stationary pan, over which was mounted a reflector heater. The second lay-out was started on October 6, 1931. It took three weeks to complete this drawing. This lay-out, too, disclosed a stationary pan. A third lay-out was started on December 11, 1931, and the drawing was completed three weeks later. This was the first time that the Kelly plans disclosed a machine embodying a motor driven pan. A fourth lay-out was started on February 9, 1932, and an experimental model was completed approximately January 2, 1932. Plaintiff contends, and defendant denies, that this experimental model was defective and unsuited for commercial use. Plaintiff points to certain changes that were thereafter made in the machine. Defendant urges that these changes were mere refinements of the paddle and other minor details, and that these improvements do not justify a conclusion that the invention was without practical utility or that its reduction to practice was a failure. This point it is unnecessary to decide, as even conceding that the Kelly machine was reduced to practice on January 2, 1932, Kohler was prior. True, Kohler did not complete and successfully operate his machine until over a month later, on February 20, 1932, but still we must consider the respective

dates of conception. As we have said above, Kohler conceived his device in September, 1931. In November, 1931, the Kelly conception still involved a stationary pan.

No contention is made that Kohler was not diligent in reducing his invention to practice, and indeed from the record no such contention could be sustained. Thus the rule that the first to conceive [providing he uses due diligence to reduce to practice] is the prior inventor, is applicable. We quote from Evans v. Associated Automatic Sprinkler Co., 241 Fed. 252, 253-4 [C.C.A. 3, 1917]:

> "The law upon the question of priority of invention is well established. As the evidence shows that both inventors used 'reasonable diligence in adapting and perfecting' their inventions by reducing them to practice, each can carry the date of his invention back to the date of his conception and disclosure [citing cases], and the one who first conceived and disclosed his invention and with reasonable diligence connected his conception with its reduction to practice is the 'original and the first inventor' under the statutes, without regard to which of the two first completed the reduction to practice."

Sawin Invention

Defendant also relies on prior use by the Susu Nut Company of a machine designated the "Sawin machine" as invalidating the Kohler reissue patent.

No patent was obtained on the Sawin machine, but there was testimony of a patent application for the purpose of corroborating the proof of prior invention.

The Sawin machine was for the purpose of roasting nuts. The pan, however, was stationary and the nuts were stirred by a rotary paddle. The pan was screwed down on the heating unit, and the nuts were heated in from six to eight minutes. It operated on a different principle than the Kohler device, and was obviously not suitable for use as a dispensing machine.

We conclude, from the above analysis of the patents relied on by defendant that the Kohler reissue patent is not invalidated by the prior art.

PATENTABLE INVENTION

There remains the question to be decided, before we can hold the Kohler reissue patent valid, whether the same discloses a patentable invention.

The plaintiff here, as in the question of anticipation, has the benefit of a presumption of validity from the issuance of the patent. Reinharts v. Caterpillar Tractor Co., supra, at page 630.

Prior to the Kohler invention, nut meats were sold chiefly in grocery stores, cigar stands and in a few individual nut shops. With few exceptions the chain stores sold nothing but peanuts. Since the Kohler invention, machines embodying the inven-

tion are in operation in over 800 cities in the United States and in 5 foreign countries. The business of the company increased from $120,000.00 in 1932, to over $500,000.00 in 1935.

It is obvious, therefore, that the patent complies with the requirement of the statute that it be capable of beneficial use. We recognize, of course, that utility itself does not conclusively prove invention, but it should be accorded great weight in determining the question of invention. Eibel Process Co. v. Minnesota etc. Paper Co., 261 U. S. 45, 56, 67 L.Ed. 523, 529.

We conclude from an examination of the Kohler reissue patent, and the evidence relating to its utility, that the device required more than ordinary mechanical skill and therefore involved invention.

We hold that Kohler reissue patent is valid, and pursuant to the stipulation hereinbefore referred to we also hold said reissue patent to be infringed.

The decree of the district court in the suit on the design patent is affirmed, except insofar as it extends the benefits thereof to the Susu Nut Company. The suit on the reissue patent is remanded to the district court for further proceedings in accordance herewith. Costs are awarded to appellant.

Haney, Circuit Judge, Dissenting.

The ever-present and important question as to the limits of stare decisis and the propriety of overruling prior cases confronts us in this one.

Pursuant to 35 USCA §64, a patentee may surender a patent issued to him if "wholly or partly noperative or invalid" where an "error has arisen y inadvertence, accident, or mistake" and obtain reissued patent. The reissued patent may conain enlarged claims. Topliff v. Topliff and anther, 145 U. S. 156, 170, 171. Those claims which re identical in both the original patent and the eissued patent speak from the date of the oriinal, by the express words of the statute. On he other hand, an enlarged claim speaks from the ate of the re-issued patent. Altoona Theatres v. ri-Ergon Corp., 294 U. S. 477, 491.

Does an appropriator, who makes and sells arieles not covered by the claims of the original patnt, but embraced by the enlarged claims of a subequent valid reissue, have such intervening rights will not only render him immune from liability r what he has made and sold, but also grant an revocable and permanent license to continue to ake and sell without restriction?

In support of an affirmative answer it can be id that the appropriator, technically speaking, olated no law when he began the appropriation. the patent then stood the patentee had no right interfere with the appropriation. By failing claim all he could claim, the patentee has dedied the unclaimed portion to the public. The ropriator may have changed his position.

In this connection appellant contends that the appropriator should not be protected unless he has made a change of position with knowledge of the limitations of the original patent.

Opposed to the foregoing arguments and in support of a contrary rule, it may be said that the policy of the patent laws was and is to confer a monopoly on the patentee. Had it not been for the mistake of failing to include all he had invented, the patentee could have prevented the appropriation of his invention. The patentee had no intention of dedicating any part of his invention to the public. Courts for many years have given relief to individuals placed at a disadvantage through mistake, and there seems to be no reason to make only the patentee, of all litigants seeking relief for mistake, bear the burden of his mistake.

With respect to the holding of the majority that the basis for intervening rights is a two-year dedication of the unclaimed part of the invention to public use, suffice it to say that the statute does not so read, and the logical end of such reasoning is hat if the patentee has dedicated anything in two ears, then no reissue should be permitted after hat date. There is no such limitation on reissued atents.

The real basis for the reissue of patents appears o me to be a "mistake". The question as to why he equitable rules regarding relief for mistake hould not be applicable to a mistake in patents.

where a third person has taken advantage of the mistake, is not argued.

This court 26 years ago decided which of the opposing arguments was correct. Keller v. Adams-Campbell Co., 9 Cir., 287 F. 838, 841. In that case the reissued patent was issued less than two years after the original patent was issued, and the court held: "We therefore think it clear that the appellees had and have such intervening rights as were properly protected by the court below". Inasmuch as it also held that the decree required affirmance on the ground of non-infringement (Keller v. Adams-Campbell Co., 264 U. S. 314, 319), the Supreme Court on certiorari held that the "intervening rights" question was not before it and dismissed the writ. It cannot be said that the case was based upon the theory that the appellees there acquired their rights because of their knowledge of the limitations of the Keller patent, because this court said: "The evidence shows that, prior to any knowledge on their part of the Keller patent, the appellees had been working on their device, and had made and sold a few of them. * * * " The appellees in that case could acquire no more rights from the sale of many, than they obtained by the sale of "a few". Whatever rights appellees there acquired were obtained by sale of a few of the devices, and it was held that they were acquired notwithstanding the fact that two years had not expired when the Keller patent was reissued. The majority opinion now holds that no such rights

can be acquired where the appropriator had no knowledge of the limitations of the original patent, and less than two years have expired when application is made for a reissue patent. It seems apparent to me that the present holding is in conflict with the Keller case.

Thus this court has spoken. Should we now depart from the rule that there may be intervening rights although less than two years have elapsed when the patent is reissued? The chief value of the rule of stare decisis is to enable a person to pre-figure with some degree of certainty a particular course of action. Opinions are written with that end in view. If we are to adopt the policy of overruling cases, then we should cease preparation of written opinions. There must be a cushion of safety, so that decisions manifestly wrong may be righted, but I believe the end sought—stability—will be more generally achieved if we restrict the overruling of cases to those manifestly erroneous. Manifest error means a view which no reasonable man could entertain.

Considering the opposing arguments, I think it clear that reasonable men could and would differ with respect to the application thereof. Each view has some support in reason, and is not manifestly wrong. For that reason I think the decree should be affirmed.

(Endorsed:) Opinion and Dissenting Opinion. Filed Nov. 3, 1939. Paul P. O'Brien, Clerk.

United States Circuit Court of Appeals for the Ninth Circuit.

No. 9065

NATIONAL NUT COMPANY OF CALIFORNIA, a corporation,

Appellant,

vs.

SONTAG CHAIN STORES CO., LTD., a corporation,

Appellee.

DECREE

Appeal from the District Court of the United States for the Northern District of California, Southern Division.

This Cause came on to be heard on the Transcript of the Record from the District Court of the United States for the Northern District of California, Southern Division, and was duly submitted.

On consideration whereof, it is now here ordered, adjudged, and decreed by this Court that the decree of the said District Court in this cause in the suit on the design patent be, and hereby is affirmed, except insofar as it extends the benefits thereof to the Susu Nut Company; and, as to the suit on the reissue patent, the cause is remanded to the said District Court for further proceedings in accordance with the majority opinion of this court; with costs in favor of the appellant and against the appellee.

It is further ordered, adjudged, and decreed by this Court, that the appellant recover against the appellee for its costs herein expended, and have execution therefor.

[Endorsed]: Filed and entered Nov. 3, 1939. Paul P. O'Brien, Clerk.

United States Circuit Court of Appeals for the Ninth Circuit.

Excerpt from Proceedings of Thursday, December 5, 1939.

Before: Garrecht, Haney and Stephens, Circuit Judges.

ORDER DENYING PETITION FOR REHEARING

Upon consideration thereof, and by direction of the Court, it is ordered that the petition of appellee, filed December 2, 1939, and within time allowed therefor by rule of court, for a rehearing of above cause be, and hereby is denied.

[Title of Circuit Court of Appeals and Cause.]

ORDER STAYING ISSUANCE OF MANDATE

Upon application of Mr. Charles E. Townsend, counsel for the appellee, and good cause therefor

appearing, it is ordered that the issuance, under Rule 32, of the mandate of this Court in the above cause be, and hereby is stayed to and including January 27, 1940; and in the event the petition for a writ of certiorari to be made by the appellee herein be docketed in the Clerk's office of the Supreme Court of the United States on or before said date, then the mandate of this Court is to be stayed until after the said Supreme Court passes upon the said petition.

FRANCIS A. GARRECHT,
United States Circuit Judge.

Dated: San Francisco, California, January 6, 1940.

[Endorsed]: Filed Jan. 6, 1940. Paul P. O'Brien, Clerk.

[Endorsed]: 3941 and 4133-S Natl. Nut Co. vs. Sontag Chain Stores.

PLAINTIFF'S EXHIBIT No. 3

Filed Jan. 25, 1938. W. B. Maling, Clerk.
Filed (C. C. A. 9) Jan. 26, 1939. Paul P. O'Brien, Clerk.

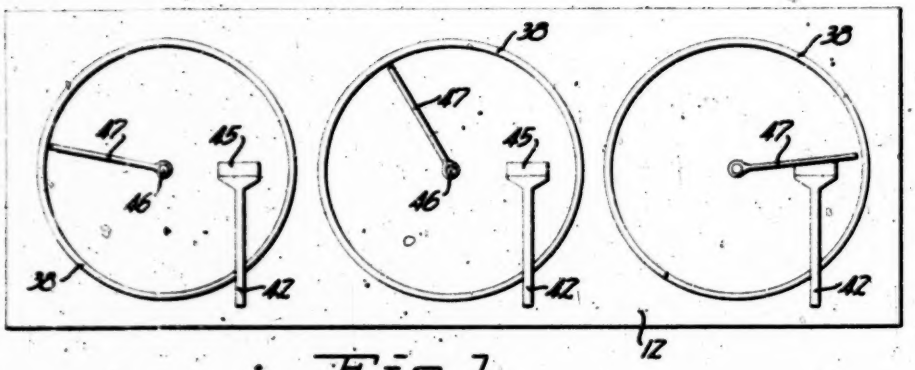


Fig. 1

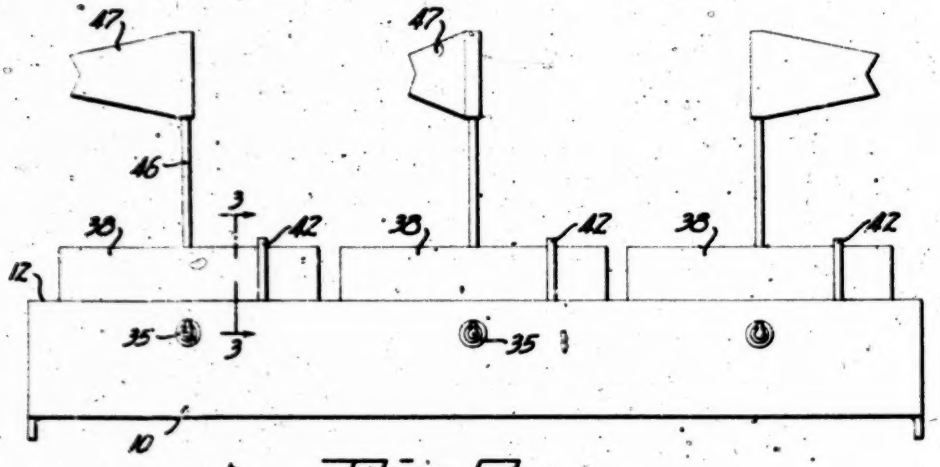


Fig. 2

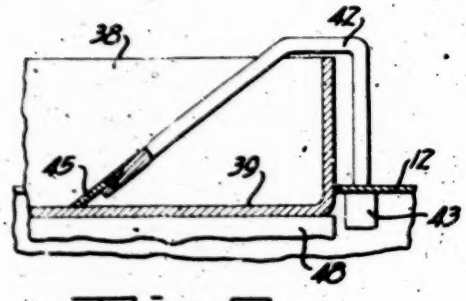


Fig. 3

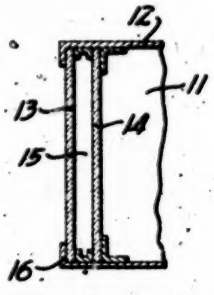


Fig. 4

INVENTOR
MICHAEL J. KOHLER
BY Charles L. Evans
HIS ATTORNEY

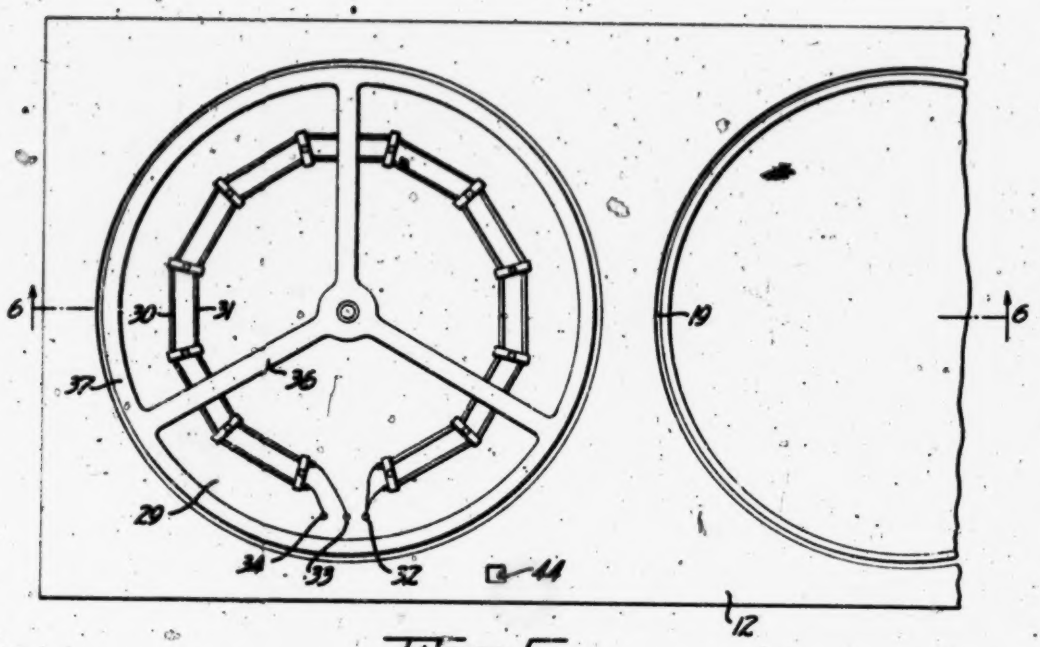


Fig. 5

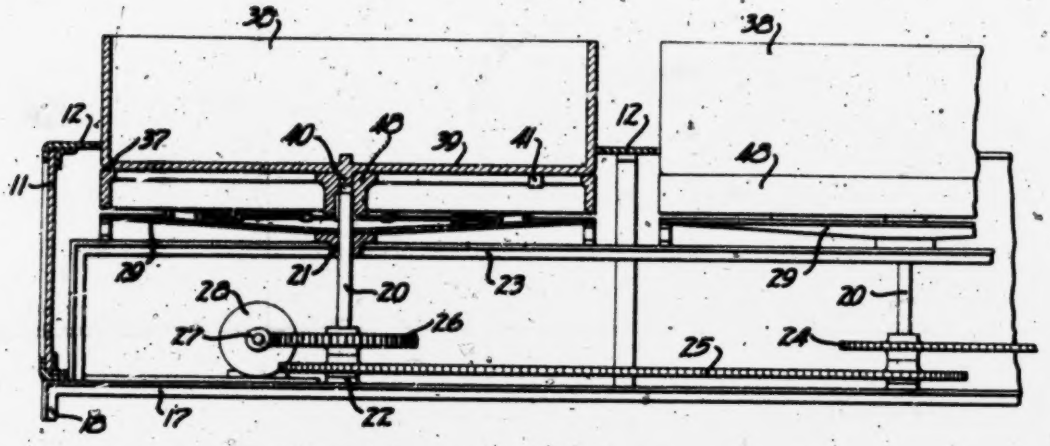


Fig. 6

INVENTOR
MICHAEL J. KOHLER
BY Charles S. Evans
HIS ATTORNEY

Reissued June 30, 1936

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UNITED STATES PATENT OFFICE

20,024

APPARATUS FOR TREATING NUTS

Michael J. Kohler, New York, N. Y., assignor to National Nut Company of California, a corporation of California

Original No. 1,958,409, dated May 15, 1934, Serial No. 645,492, December 2, 1932. Application for reissue January 15, 1936, Serial No. 59,319

17 Claims. (Cl. 53—4)

This invention relates to an apparatus which is specially adapted to the heating and buttering of mixed nuts, and coincidently forms a dispensing device for the nuts.

Among the objects of the invention is to provide a machine in which mixed nuts are heated to a predetermined temperature and coated with butter, and retained in a heated condition for sale in such condition.

Another object of the invention is to provide a machine of the type outlined which will coincidently heat an agitate a batch of nuts in such manner as to cause butter to completely coat the nuts.

A further object of the invention is to provide a housing for the machine equipped with a display front in which nuts may be attractively displayed, the front of the machine being provided with a transparent panel and a compartment for the nuts.

A still further object of the invention is to provide the machine with means for attracting attention thereto in the form of moving objects.

Other objects and advantages of the invention will become apparent as the following description is read on the drawings forming a part of this specification and in which similar reference characters are used to designate similar parts throughout the several views of which:

Fig. 1 is a plan view of one embodiment of the invention.

Fig. 2 is a rear elevation of Fig. 1.

Fig. 3 is an enlarged fragmentary sectional view taken on line 3—3 of Fig. 2.

Fig. 4 is an enlarged fragmentary vertical section of the front wall of the housing.

Fig. 5 is an enlarged fragmentary view showing the container removed so as to disclose the spider and the heating unit.

Fig. 6 is a section taken on the line 6—6 of Fig. 5.

The illustrated embodiment of the invention comprises a housing having a rear wall 10, end walls 11 and a top 12; the front wall comprising a panel of glass or other transparent material 13, and having a wall 14 spaced therefrom to provide a compartment 15, the glass 13 being retained in position by a removable angle bracket 16 which

each of which a shaft 20 is rotatably mounted in a vertical position, suitable bearings 21 and 22 being provided, the bearings being supported by a suitable framing 23. The shafts 20 are coincidently driven through sprockets 24 and cooperating chain 25, so that all of the containers will be rotated coincidently. One of the shafts 20 is provided with a worm gear 26 which cooperates with a worm 27, the worm 27 being mounted to cooperate with the shaft of the motor 28.

Fixedly supported on the framing 23 is a heating unit comprising a heat-reflector 29 having a concave face directed upwardly. Electrical heating elements 30 and 31 are mounted on the upper side of said reflector, these heating elements being connected at one end to a common terminal 32, the other end of the elements having individual terminals 33 and 34 whereby the heating unit may be controlled as to temperature, four-way switches 35 being provided for each unit, these switches being adapted to connect the terminals 33 and 34 so as to connect the elements 30 and 31 in parallel for one heat, the terminal 32 forming the other connection to the source of electric power, this switch also being adapted to break circuit to the terminal 32 and connect the terminals 33 and 34 to the opposite terminals of the source of electricity so as to connect the two elements in series, the switch being also adapted to connect either one of the terminals 33 or 34 through the terminal 32 so as to energize only one of the elements.

The shaft 20 is arranged axially with respect to the heating unit as is clearly shown; and has secured at the top thereof a spider 48, this spider having a plurality of arms 36 and a rim 37 and being rotatable with the shaft 20.

The containers 38 are cylindrical in form and have a flat bottom 39, centering means 40 being provided to center the container on the spider 48. Driving means for the container comprises a depending lug 41 formed on the bottom of the container 38, and which cooperates with one of the arms 36 of the spider 48, the container being supported on the spider and driven thereby.

The scraper comprises an arm 42 of non-circular form, and slidably disposed in a complementary socket 43 secured to the top of the housing

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Among the objects of the invention is to provide a machine in which mixed nuts are heated to a predetermined temperature and coated with butter, and retained in a heated condition for sale in such condition.

Another object of the invention is to provide a machine of the type outlined which will coincidently heat an agitate a batch of nuts in such manner as to cause butter to completely coat the nuts.

A further object of the invention is to provide a housing for the machine equipped with a display front in which nuts may be attractively displayed, the front of the machine being provided with a transparent panel and a compartment for the nuts.

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Other objects and advantages of the invention will become apparent as the following description is read on the drawings forming a part of this specification and in which similar reference characters are used to designate similar parts throughout the several views of which:

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Fig. 5 is an enlarged fragmentary view showing the container removed so as to disclose the spider and the heating unit.

Fig. 6 is a section taken on the line 6—6 of Fig. 5.

The illustrated embodiment of the invention comprises a housing having a rear wall 10, end walls 11 and a top 12; the front wall comprising a panel of glass or other transparent material 13, and having a wall 14 spaced therefrom to provide a compartment 15, the glass 13 being retained in position by a removable angle bracket 16 which coincidently forms a closure for the bottom of the compartment. The housing is mounted on a base 17 which has integral legs 18, thus permitting the circulation of heat and air through the device.

The top of the cabinet is provided with a series of circular holes 19, aligned with the center of each of which a shaft 20 is rotatably mounted in a vertical position, suitable bearings 21 and 22 being provided, the bearings being supported by a suitable framing 23. The shafts 20 are coincidently driven through sprockets 24 and cooperating chain 25, so that all of the containers will be rotated coincidently. One of the shafts 20 is provided with a worm gear 26 which cooperates with a worm 27, the worm 27 being mounted to cooperate with the shaft of the motor 28.

Fixedly supported on the framing 23 is a heating unit comprising a heat-reflector 29 having a concave face directed upwardly. Electrical heating elements 30 and 31 are mounted on the upper side of said reflector, these heating elements being connected at one end to a common terminal 32, the other end of the elements having individual terminals 33 and 34 whereby the heating unit may be controlled as to temperature, four-way switches 35 being provided for each unit, these switches being adapted to connect the terminals 33 and 34 so as to connect the elements 30 and 31 in parallel for one heat, the terminal 32 forming the other connection to the source of electric power, this switch also being adapted to break circuit to the terminal 32 and connect the terminals 33 and 34 to the opposite terminals of the source of electricity so as to connect the two elements in series, the switch being also adapted to connect either one of the terminals 33 or 34 through the terminal 32 so as to energize only one of the elements.

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The containers 38 are cylindrical in form and have a flat bottom 39, centering means 40 being provided to center the container on the spider 48. Driving means for the container comprises a depending lug 41 formed on the bottom of the container 38, and which cooperates with one of the arms 36 of the spider 48, the container being supported on the spider and driven thereby.

The scraper comprises an arm 42 of non-circular form, and slidably disposed in a complementary socket 43 secured to the top of the housing 12, that shown in the drawings comprising an arm of rectangular form and fitting into a rectangular aperture 44, this arm extending upwardly to a point above the top of the container and thence extending diagonally downward and terminating in a removable blade 45, which cooperates with the bottom 39 of the container 38.

Removably mounted at the center of each container is a flag-staff 46 at the top of which is secured a rigid flag 47, on which is imprinted the name of the product treated by and dispensed from the machine, this flag-staff and flag rotating with the container.

The operation of the device is as follows:—

The switches 35 are turned to the desired heat, high, medium, or low, and the motor 28 is cut into circuit. The motor 28 drives shaft 20 through the worm 27 and worm gear 26, driving the other shafts 20 through the sprockets 24 and chains 25. A batch of nuts is put into the containers and butter added thereto, the rotation of the containers in cooperation with the fixed scrapers, causing complete agitation and mixing of the nuts and complete coating with a very thin film of butter. After the nuts have been completely processed, the switches 35 may be turned to low heat and the nuts kept hot until such time as they are presented for sale.

It will be noted that this device forms coincidently a machine for heating nuts with or without oil or other coating material, forms a device for keeping the nuts in heated condition, and also coincidently forms an advertising and display device, the rotation of the flags 47 attracting attention to the device, and the nuts in the compartment 15 forming an attractive display.

Having described an operative device, it will be understood that variations in construction and arrangement of parts which are consistent with the appended claims may be resorted to without departing from the spirit or scope of the invention or sacrificing any of the advantages thereof.

I claim:

1. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a heating element mounted upon said frame below said opening, a power-driven shaft vertically mounted centrally of said opening in bearings provided in said housing and frame, a rotatable spider concentric with and below said opening rotatable through said shaft, and a container set within said opening and supported by said spider to be rotated therewith.

2. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a heating element rigidly mounted upon said frame consisting of a concave heat reflector concentric with said opening, and a plurality of electrical heat-emitting wires arranged above said reflector and within the concavity thereof, a power-driven shaft disposed vertically and centrally of said opening, and a nut container disposed within said opening and rotatable through said shaft.

3. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a reflector mounted upon said frame concentric with said opening, a heating element disposed above said reflector, a power-driven shaft mounted vertically and centrally of said opening, a rotatable spider concentric with and below said opening rotatable through said shaft, and a container set within said spider to be rotated therewith, said container having a perforated bottom.

4. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a reflector mounted upon said frame concentric with said opening, a plurality of electrical heat-emitting wires arranged above said reflector and within the concavity thereof, a power-driven shaft arranged vertically and centrally of said opening and a nut container disposed within said opening and rotatable through said shaft.

5. A nut treating machine, comprising a base housing, a nut receptacle mounted upon the housing, means within the housing below the receptacle for heating nuts contained in the receptacle, and means for rotating the receptacle.

6. A nut treating machine comprising a base housing, a nut receptacle mounted upon the housing and having an open top for giving access to nuts contained in the receptacle, a heating element spaced from the receptacle, means for directing heat from the element onto the receptacle, and means within the housing for rotating the receptacle.

7. A nut treating machine comprising a base housing, a nut receptacle mounted upon the housing, means within the housing below the receptacle for heating nuts contained in the receptacle, means for rotating the receptacle, and means for varying the heat characteristics of the heating means.

8. A nut treating machine comprising a base housing, a nut receptacle mounted upon the housing and having an open top for giving access to nuts contained in the receptacle, a heating element spaced from the receptacle, means for directing heat from the element onto the receptacle, means within the housing for rotating the receptacle, and means for varying the heat characteristics of the heating element.

9. A nut treating machine comprising a base housing, nut receiving means rotatably mounted upon the housing and comprising a plurality of receptacles for separably containing different varieties of nuts, means for simultaneously rotating the nut receiving means, and means spaced from the receptacles for heating the nuts.

10. A nut treating machine comprising a base housing, nut receiving means upon the base and open at the top thereof to give access to nuts contained therein, stationary heating means mounted upon the housing in spaced relation to the nut receiving means, and means for rotating the nut receiving means relative to the heating means.

11. A nut treating machine comprising a base housing, nut receiving means rotatably mounted upon the housing and comprising a plurality of receptacles for containing different varieties of nuts, the tops of the receptacles being open to give access to nuts contained therein while the machine is in operation, heating means mounted upon the housing in spaced relation to the nut receiving means, and means for simultaneously rotating the nut receiving means relative to the heating means.

12. A nut treating machine comprising a base housing having an apertured top, a motor within the housing, a shaft driven by the motor, a nut receptacle arranged within the aperture and driven by the shaft, the top of the receptacle being open for permitting the introduction and re-

element mounted upon the housing in spaced relation to the receptacle.

14. A nut treating machine comprising a base housing, a motor within the housing, a shaft driven by the motor, a nut receptacle driven by the shaft, the top of the receptacle being open for permitting the introduction and removal of nuts while the receptacle is being rotated, a heating element mounted upon the housing in spaced relation to the receptacle and means for varying the degree of heat applied to the nuts.

15. A nut treating machine comprising a base housing, a motor within the housing, a shaft driven by the motor, a nut receptacle supported upon the shaft and rotatable therewith, the top of the receptacle being open for permitting the introduction and removal of nuts while the receptacle is being rotated, a heating element mounted uopn the housing independently of the receptacle, and a reflector spaced from the receptacle for reflecting heat from the element onto the receptacle.

16. A nut treating machine comprising a base housing, nut receiving means upon the housing and comprising a plurality of receptacles having sides extending upwardly from points below the top of the housing and having their tops open for permitting the introduction and removal of nuts while the machine is in operation, driving means within the housing for rotating the receptacles, and means for heating the contents of the rotating receptacles.

17. A nut treating machine comprising a base housing, a nut receptacle mounted upon the housing, a heating element upon the housing spaced from the receptacle, means for directing heat from the heating element into the receptacle, and means within the housing for rotating the receptacle.

MICHAEL J. KOHLER.

through the worm 27 and worm gear 26, driving the other shafts 20 through the sprockets 24 and chains 25. A batch of nuts is put into the containers and butter added thereto, the rotation of the containers in cooperation with the fixed scrapers, causing complete agitation and mixing of the nuts and complete coating with a very thin film of butter. After the nuts have been completely processed, the switches 35 may be turned to low heat and the nuts kept hot until such time as they are presented for sale.

It will be noted that this device forms coincidently a machine for heating nuts with or without oil or other coating material, forms a device for keeping the nuts in heated condition, and also coincidently forms an advertising and display device, the rotation of the flags 47 attracting attention to the device, and the nuts in the compartment 15 forming an attractive display.

Having described an operative device, it will be understood that variations in construction and arrangement of parts which are consistent with the appended claims may be resorted to without departing from the spirit or scope of the invention or sacrificing any of the advantages thereof.

I claim:

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2. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a heating element rigidly mounted upon said frame consisting of a concave heat reflector concentric with said opening, and a plurality of electrical heat-emitting wires arranged above said reflector and within the concavity thereof, a power-driven shaft disposed vertically and centrally of said opening, and a nut container disposed within said opening and rotatable through said shaft.

3. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a reflector mounted upon said frame concentric with said opening, a heating element disposed above said reflector, a power-driven shaft mounted vertically and centrally of said opening, a rotatable spider concentric with and below said opening rotatable through said shaft, and a container set within said opening and supported by said spider to be rotated therewith.

4. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a heating element consisting of a pair of electrical heat-emitting wires arranged in circular relation, electrical connections for utilizing said wires separately, in series, or in parallel circuits, a heat-reflector below said housing, a nut receptacle mounted upon the housing and having an open top for giving access to nuts contained in the receptacle, a heating element spaced from the receptacle, means for directing heat from the element onto the receptacle, and means within the housing for rotating the receptacle.

7. A nut treating machine comprising a base housing, a nut receptacle mounted upon the housing, means within the housing below the receptacle for heating nuts contained in the receptacle, means for rotating the receptacle, and means for varying the heat characteristics of the heating means.

8. A nut treating machine comprising a base housing, a nut receptacle mounted upon the housing and having an open top for giving access to nuts contained in the receptacle, a heating element spaced from the receptacle, means for directing heat from the element onto the receptacle, means within the housing for rotating the receptacle, and means for varying the heat characteristics of the heating element.

9. A nut treating machine comprising a base housing, nut receiving means rotatably mounted upon the housing and comprising a plurality of receptacles for separably containing different varieties of nuts, means for simultaneously rotating the nut receiving means, and means spaced from the receptacles for heating the nuts.

10. A nut treating machine comprising a base housing, nut receiving means upon the base and open at the top thereof to give access to nuts contained therein, stationary heating means mounted upon the housing in spaced relation to the nut receiving means, and means for rotating the nut receiving means relative to the heating means.

11. A nut treating machine comprising a base housing, nut receiving means rotatably mounted upon the housing and comprising a plurality of receptacles for containing different varieties of nuts, the tops of the receptacles being open to give access to nuts contained therein while the machine is in operation, heating means mounted upon the housing in spaced relation to the nut receiving means, and means for simultaneously rotating the nut receiving means relative to the heating means.

12. A nut treating machine comprising a base housing having an apertured top, a motor within the housing, a shaft driven by the motor, a nut receptacle arranged within the aperture and driven by the shaft, the top of the receptacle being open for permitting the introduction and removal of nuts while the receptacle is being rotated, and means for heating nuts contained in the receptacle.

13. A nut treating machine comprising a base housing, a motor within the housing, a shaft driven by the motor, a nut receptacle driven by the shaft, the top of the receptacle being open for permitting the introduction and removal of nuts while the machine is in operation, and a heating

[Endorsed]: 3941 and 4133-S Natl. Nut Co. vs. Sontag Chain Stores.

DEFENDANT'S EXHIBIT No. "A"

Filed Jan. 25, 1938. W. B. Maling, Clerk.
Filed (C. C. A. 9) Jan. 26, 1939. Paul P. O'Brien, Clerk.

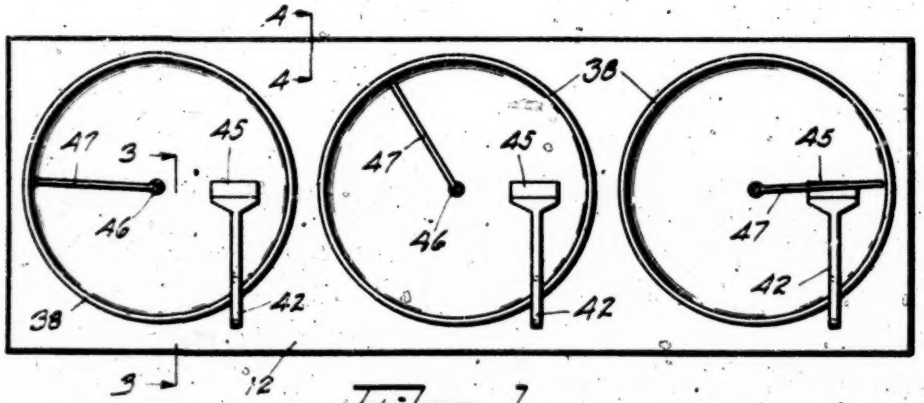


Fig. 1.

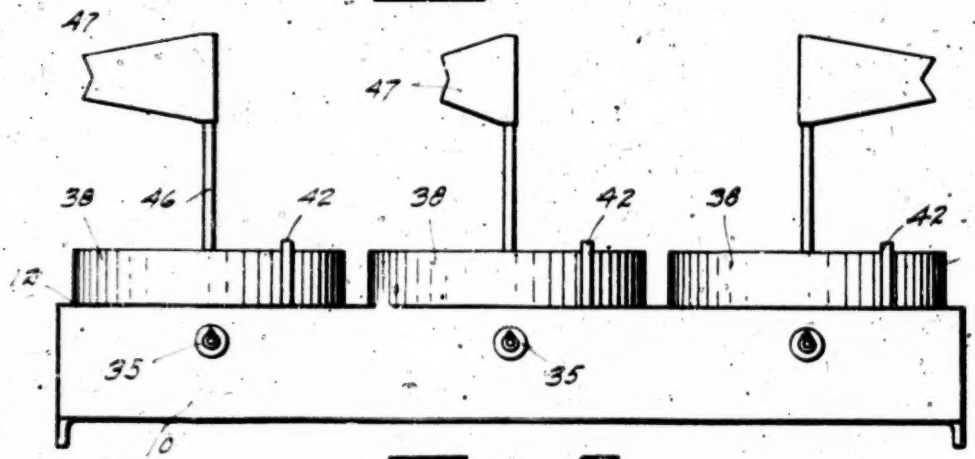


Fig. 2.

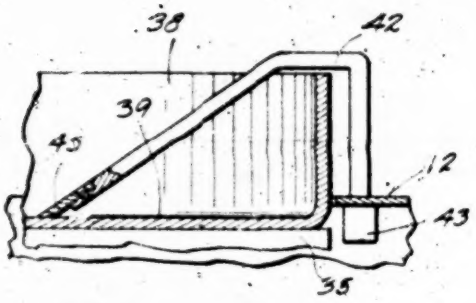


Fig. 3.

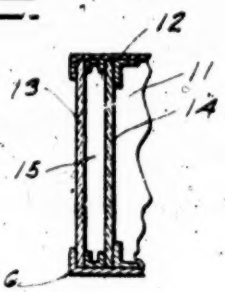


Fig. 4.

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May 15, 1934. M. J. KOHLER 1,958,409

NUT BUTTERING MACHINE

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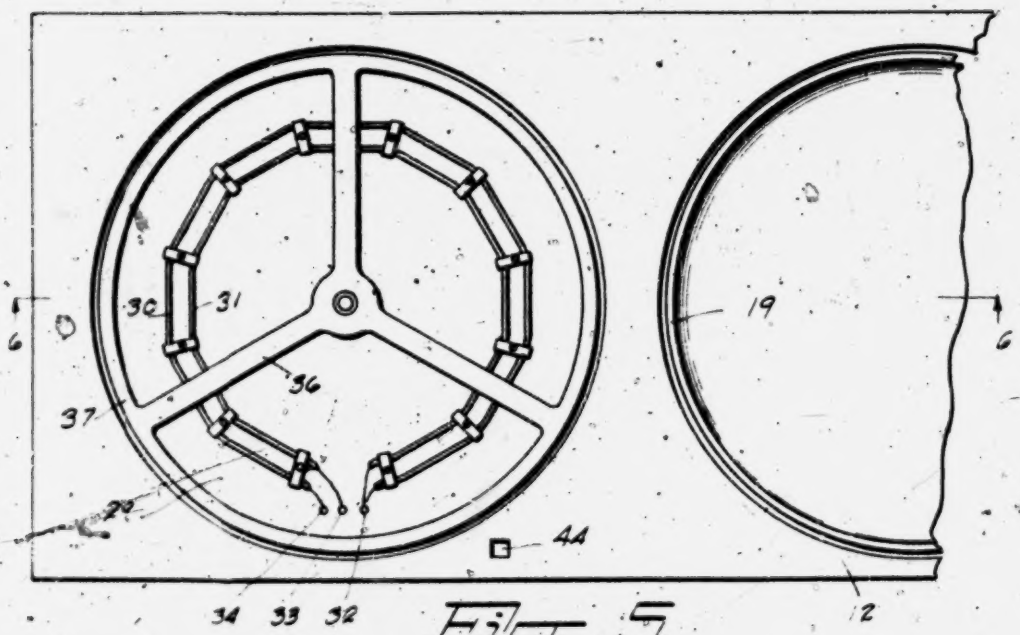


Fig. 5.

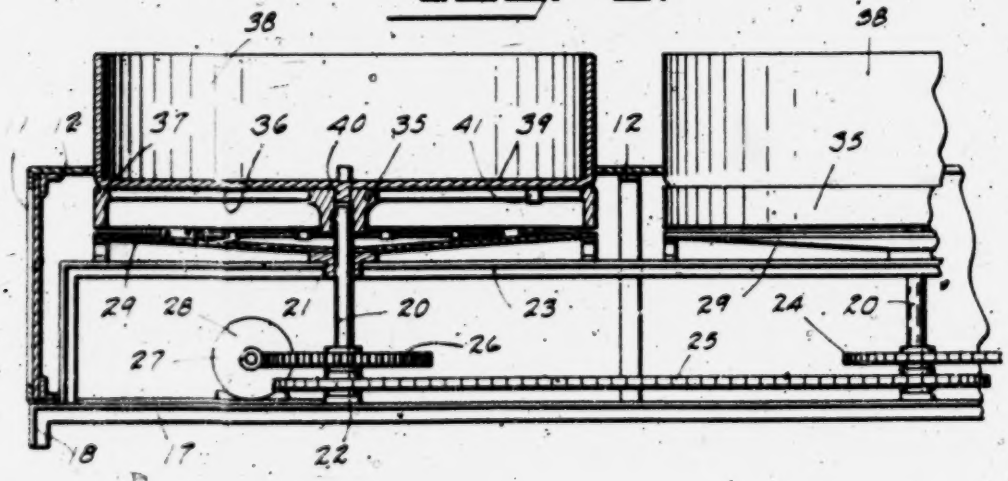


Fig. 6.

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Patented May 15, 1934 1,958,409

UNITED STATES PATENT OFFICE

1,958,409

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Application December 2, 1932, Serial No. 645,492

4 Claims. (Cl. 53—4)

This invention is a nut buttering machine, which is specially adapted to the heating and buttering of mixed nuts, and coincidently forms a dispensing device for the nuts.

The main object of the invention is to provide a machine in which mixed nuts are heated to a predetermined temperature and coated with butter, and retained in a heated condition for sale in such condition.

Another object of the invention is to provide a machine of the type outlined which will coincidently heat and agitate a batch of nuts in such manner as to cause butter to completely coat the nuts.

A further object of the invention is to provide a housing for the machine equipped with a display front in which nuts may be attractively displayed, the front of the machine being provided with a transparent panel and a compartment for the nuts.

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Fig. 6 is a section taken on line 6—6 of Fig. 5.

The invention consists of a housing having a rear wall 10, end walls 11 and a top 12, the front wall consisting of glass or other transparent material 13, and having a wall 14 spaced therefrom to provide a compartment 15, the glass 13 being retained in position by a removable angle ing 23. The shafts 20 are coincidently driven through sprockets 24 and cooperating chain 25, so that all of the containers will be rotated coincidently. One of the shafts 20 is provided with a worm gear 26 which cooperates with a worm 27, the worm 27 being mounted to cooperate with the shaft of the motor 28.

Fixedly supported on the framing 23 is a heating unit consisting of a heat-reflector 29 having a concave face directed upwardly. Electrical heating elements 30 and 31 are mounted on the upper side of said reflector, these heating elements being connected at one end to a common terminal 32, the other end of the elements having individual terminals 33 and 34 whereby the heating unit may be controlled as to temperature, four-way switches 35 being provided for each unit, these switches being adapted to connect the terminals 33 and 34 so as to connect the elements 30 and 31 in parallel for one heat, the terminal 32 forming the other connection to the source of electric power, this switch also being adapted to break circuit to the terminal 32 and connect the terminals 33 and 34 to the opposite terminals of the source of electricity so as to connect the two elements in series, the switch being also adapted to connect either one of the terminals 33 or 34 through the terminal 32 so as to energize only one of the elements.

The shaft 20 extends through the axis of the heating unit as is clearly shown and has secured at the top thereof a spider 35, this spider having a plurality of arms 36 and a rim 37 and being rotatable with the shaft 20.

The containers 38 are cylindrical in form and have a flat bottom 39, centering means 40 being provided to center the container on the spider 35. Driving means for the container consists of a depending lug 41 formed on the bottom of the container 38, and which cooperates with one of the arms 36 of the spider 35, the container being supported on the spider and driven thereby.

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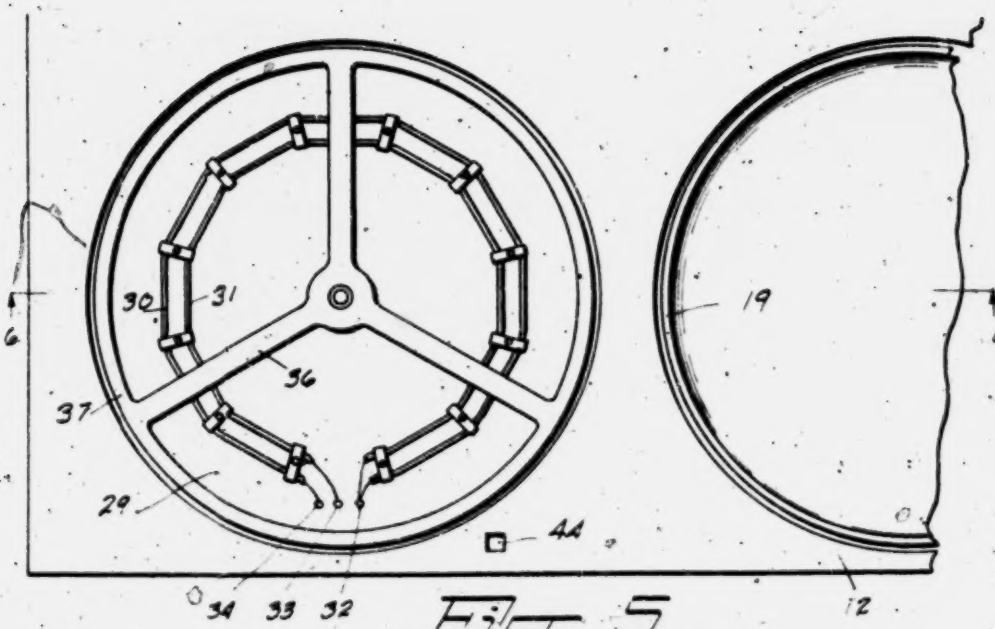


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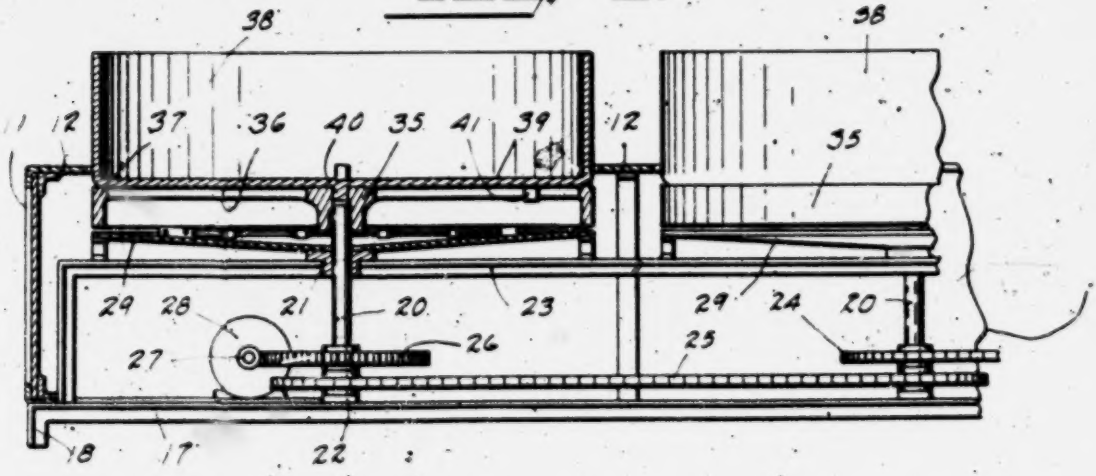


Fig. 6.

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The top of the cabinet is provided with a series of circular holes 19, at the center of each of which a shaft 20 is rotatably mounted in a vertical plane, suitable bearings 21 and 22 being provided, the bearings being supported by a suitable framing 23. The shafts 20 are coincidently driven through sprockets 24 and cooperating chain 25, so that all of the containers will be rotated coincidently. One of the shafts 20 is provided with a worm gear 26 which cooperates with a worm 27, the worm 27 being mounted to cooperate with the shaft of the motor 28.

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The shaft 20 extends through the axis of the heating unit as is clearly shown and has secured at the top thereof a spider 35, this spider having a plurality of arms 36 and a rim 37 and being rotatable with the shaft 20.

The containers 38 are cylindrical in form and have a flat bottom 39, centering means 40 being provided to center the container on the spider 35. Driving means for the container consists of a depending lug 41 formed on the bottom of the container 38, and which cooperates with one of the arms 36 of the spider 35, the container being supported on the spider and driven thereby.

The scraper consists of an arm 42 of non-circular form, and slidably disposed in a complementary socket 43 secured to the top of the housing 12, that shown in the drawings consisting of an arm of rectangular form and fitting into a rectangular aperture 44, this arm extending upwardly to a point above the top of the container and thence extending diagonally downward and terminating in a removable blade 45, which cooperates with the bottom 39 of the container 38. Removably mounted at the center of each container is a flag-staff 46 at the top of which is se-

cured a rigid flag 47, on which is imprinted the name of the product treated by and dispensed from the machine, this flag-staff and flag rotating with the container.

The operation of the device is as follows:

The switches 35 are turned to the desired heat, high, medium, or low, and the motor 28 is cut into circuit. The motor 28 drives shaft 20 through the worm 27 and worm gear 26, driving the other shafts 20 through the sprockets 24 and chains 25. A batch of nuts is put into the containers and butter added thereto, the rotation of the containers in cooperation with the fixed scrapers, causing complete agitation and mixing of the nuts and complete coating with a very thin film of butter. After the nuts have been completely processed, the switches 35 may be turned to low heat and the nuts kept hot until such time as they are presented for sale.

It will be noted that this device forms coincidently a machine for heating nuts with or without oil or other coating material, forms a device for keeping the nuts in heated condition, and also coincidently forms an advertising and display device, the rotation of the flags 47 attracting attention to the device, and the nuts in the compartment 15 forming an attractive display.

Having described an operative device, it will be understood that variations in construction and arrangement of parts which are consistent with the appended claims may be resorted to without detracting from the spirit or scope of the invention or sacrificing any of the advantages thereof.

I claim:

1. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a heating element mounted upon said frame below said opening, a power-driven shaft vertically mounted centrally of said opening in bearings provided in said housing and frame, a rotatable spider concentric with and below said opening rotatable through said shaft, and a container set within said opening and supported by said spider to be rotated therewith.

2. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a heating element rigidly mounted upon said frame consisting of a concave heat reflector concentric with said opening, and a plurality of electrical heat-emitting wires arranged above said reflector and within the concavity thereof, a power-driven shaft disposed vertically and centrally of said opening, and a nut container disposed within said opening and rotatable through said shaft.

3. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a reflector mounted upon said frame concentric with said opening, a heating element disposed above said reflector, a power-driven shaft mounted vertically and centrally of said opening, a rotatable spider concentric with and below said opening rotatable through said shaft, and a container set within said opening and supported by said spider to be rotated therewith.

4. A nut buttering machine, comprising a housing having a circular opening in its top wall, a frame in said housing, a heating element consisting of a pair of electrical heat-emitting wires arranged in circular relation, electrical connections for utilizing said wires separately, in series, or in parallel circuits, a heat-reflector below said wires, a power-driven shaft arranged vertically and centrally of said opening, and a nut container disposed within said opening and rotatable through said shaft.

MICHAEL J. KOHLER.

[Title of Circuit Court of Appeals and Cause.]

CERTIFICATE OF CLERK, U. S. CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT, TO RECORD CERTIFIED UNDER RULE 38 OF THE REVISED RULES OF THE SUPREME COURT OF THE UNITED STATES.

I, Paul P. O'Brien, as Clerk of the United States Circuit Court of Appeals for the Ninth Circuit, do hereby certify the foregoing three hundred and forty-six (346) pages, numbered from and including 1 to and including 346, including Plaintiff's Exhibit #3, and Defendant's Exhibit "A", to be a full, true and correct copy of the entire record, together with original documentary exhibits transmitted herewith in original form, of the above-entitled case in the said Circuit Court of Appeals, made pursuant to request of counsel for the appellee, and certified under Rule 38 of the Revised Rules of the Supreme Court of the United States, as the originals thereof remain on file and appear of record in my office.

Attest my hand and the seal of the said United States Circuit Court of Appeals for the Ninth Circuit, at the City of San Francisco, in the State of California, this 9th day of January, 1940.

[Seal] PAUL P. O'BRIEN,

Clerk.

SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—Filed March 4, 1940

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the Ninth Circuit is granted.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

(6838).

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1939

No.

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT AND BRIEF IN SUPPORT THEREOF

WM. NEVARRE CROMWELL,
FRANK H. TOWNER,
GUY A. GLADSON,
Counsel for Petitioner.

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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1939

No.

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Respondent.

PETITION FOR WRIT OF CERTIORARI

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Sontag Chain Stores Co., Ltd., a corporation of Delaware, respectfully prays for a writ of certiorari to the United States Circuit Court of Appeals for the Ninth Circuit to review a judgment entered by that court on November 3, 1939 holding petitioner guilty on infringement of Reissue No. 20,204 (R. 333) of original patent No. 1,958,409 (R. 342) because of petitioner's

continued use of a nut treating machine. The judgment turned upon the question of intervening rights in relation to the broadened claims of said reissue patent. A petition for rehearing was filed December 2, 1939 and denied December 5, 1939.

In conformity with the provisions of Rule 38 of this court, a certified copy of the record, including the proceedings in the Circuit Court of Appeals, accompanies this petition.

Summary Statement of Matter Involved.

This case presents squarely the important and troublesome matter of intervening rights in relation to the broadened claims of a reissue patent, which has been the subject of many conflicting opinions in the different circuits. The scope of such rights and the principles governing their determination have not been fixed by decisions of this court. The facts in the present case, while simple, are such as to present most of the phases of the problem with which the lower courts have struggled. More specifically:

(1) Respondent waited twenty months before applying for a reissue broadening the claim of its original patent. During a portion of this period petitioner used the accused machine without knowledge of the original patent. There was no infringement of that patent. Is the respondent guilty of laches which precludes its securing a valid reissue under the circumstances of this case, or, put in another way, does its failure to apply more promptly for such a reissue create an estoppel in favor of the public, including petitioner?

(2) For more than three months before applying for the reissue, and nine months before the reissue was granted, respondent by affirmative acts and

litigation led petitioner to believe that it was relying wholly upon the narrow claims of the original patent, which the accused machine did not infringe. Is there, under these circumstances, an estoppel in favor of the petitioner?

(3) The relief requested was an injunction, an accounting of profits and an award of damages. If petitioner acquired intervening rights to use the accused machine, are those rights limited to the period prior to the reissue, or does petitioner also enjoy an irrevocable and permanent license to continue such use without restriction?

The district court found that respondent was guilty f laches, that petitioner had acquired intervening rights f a permanent nature, and that respondent was not entled to any relief. The Circuit Court of Appeals, howver, reversed the district court, arriving at conclusions conflict with the decisions of three other circuits.

Statement of Matter Involved.

About the first of April, 1935, the petitioner comenced using in its store the accused machine—a maine designed to keep nuts and nut meats hot and fresh hile on display for sale (R. 79, 80). At this time dendant was without actual knowledge of patent No. 958,409, which had been issued May 15, 1934 to respondt. This original patent, admittedly a simple one R. 110), contained four claims of narrow scope. These our claims had been substituted (before grant of the riginal patent) for the twenty made in the original pplication and rejected by the examiner.

On October 8, 1935, respondent sent petitioner notice at its use of the accused machine was an infringement respondent's patent (R. 71). This notice gave petiner its first knowledge of the original patent (R. 77).

While the record is not clear as to the exact time, it is apparent that respondent's knowledge of petitioner's machine was acquired at least some weeks prior to such notice (R. 105).

On October 19, 1935, before petitioner could complete investigation of the assertions of the notice, respondent instituted suit in the United States District Court (case 3941-S), charging petitioner with infringement of said patent, and also with infringement of a design patent (R. 2, 9). We are not here concerned with the design patent because both of the courts below held that the accused machine did not infringe the design patent (R. 94, 284). Petitioner answered (November 22, 1935) denying infringement (R. 12), and continued to use the accused machine (R. 80).

On December 16, 1935, respondent filed interrogatories calling for pictorial illustrations and drawings which would fully disclose the details of design and operation of the accused machine being used by petitioner (R. 63).

On January 13, 1936 petitioner filed its answers to said interrogatories, accompanied by illustrative material revealing such details (R. 74, 75).

Two days thereafter, on January 15, 1936, respondent applied for a reissue of its patent, asserting seventeen claims, the first four of which were identical with the four claims of original patent No. 1,958,409 (R. 338, 346). The thirteen additional claims were of broader scope and were framed to cover the machine being used by the petitioner (R. 92).

Respondent did not notify petitioner of its application for a reissue. On the contrary, by keeping the petitioner busy with interrogatories, respondent led the petitioner to believe that it relied on its original patent (R. 77, 80). Respondent proceeded with the suit which was based on the patent it had offered to surrender when

t filed application for reissue—the patent respondent ultimately admitted was not infringed by petitioner's machine (R. 86, 87). Petitioner continued to use the accused machine in reliance upon the narrow claims of the original patent.

On June 30, 1936 reissue patent No. 20,024 was granted to respondent, containing the seventeen claims above referred to (R. 92, 337).

On June 26, 1936, respondent moved to amend its bill of complaint and to file an amended and supplemental bill so as to bring in the broadened claims of the reissue. This motion was the first notice that petitioner had of the reissue (R. 92). The trial court on September 18, 1936 denied the motion in so far as it sought to add the broadened claims to its asserted cause of action, but allowed respondent to file an amended and supplemental bill based upon the first four claims of the reissue (R. 17), which, as noted, were the same as the four claims of the original patent. Thereafter on January 11, 1937, such an amended and supplemental bill was filed in case 3941-S (R. 18).

On January 26, 1937, nearly six months after the reissue (and fifteen months after first notice of infringement of the original patent), respondent instituted a new suit (case 4133-S) charging petitioner with infringement of the broadened claims of the reissue patent (R. 42-51). In its answer in this case petitioner asserted that the respondent was estopped because the petitioner had acquired intervening rights in reliance on the narrow claims of the original patent, and because respondent was guilty of laches in applying for a reissue. The two cases, 3941-S on the original patent, and the corresponding claims of the reissue, and 4133-S on the broadened claims (5 to 17) of the reissued patent, were tried together (R. 84, 86).

In advance of the trial respondent stated that it would not rely upon claims one to four of the reissue patent, thus conceding that petitioner's use of its machine had not infringed original patent 1,958,409 (R. 86), as charged in case 3941-S. Since the issue relating to the design patent is no longer in either case, this proceeding, although originating in two separate suits, must be viewed as a suit instituted in January of 1937 to restrain the alleged infringement of the reissue patent granted in June of 1936. The purpose of the reissue was to dominate the petitioner's machine, which since October 8, 1935 petitioner had used in reliance upon the narrow claims of respondent's original patent.

The cases were submitted to the district court primarily upon the question of whether the petitioner had acquired intervening rights which would prevent respondent from obtaining injunctive relief against continued use of the accused machine (R. 93, 107), and secondarily upon the question of the validity of the reissue (R. 109). The district court held that the petitioner had acquired intervening rights and that the reissue was not enforcible because of the respondent's laches in applying therefor, but did not pass upon the validity of the reissue claims in relation to the prior art (R. 94). The district court also held that there was no infringement of the design patent (R. 94) and entered judgment for petitioner in both cases (R. 96).

On appeal the Circuit Court of Appeals (Judge Haney dissenting) reversed the district court with respect to the reissue patent. It held, in substance, that since the application for the broadened reissue was filed within two years after grant of the original patent, any intervening rights would have to be based upon two years of adverse use by the petitioner prior to the application for reissue, or upon knowledge of and reliance upon the

narrow claims of the original patent or upon facts creating an estoppel. It also held that because petitioner began its use of the accused machine without actual knowledge of the original patent there could be no estoppel against the claims of the reissue patent.

Although the decision is silent on the question of whether an estoppel was created in favor of petitioner because of its *continuing to* use the machine for at least nine months in reliance upon the narrow claims of the original patent, a period when those claims were being pressed by respondent's litigation, and the question of whether an inventor can lose his right to a reissue by laches within the two-year period, the holding of the court and the propositions of law formulated by it answer these questions in the negative.

Reasons Relied Upon for Allowance of Writ.

1. The matter of intervening rights in relation to the broadened claims of a reissue patent presents important and difficult questions of federal law which have not been but should be decided by this court.

On the one hand is the interest of the inventor in the monopoly granted him by the patent law, a monopoly that is limited to his invention *as defined* in his claims with respect thereto. What he does not so claim is dedicated to the public, but may, in the event of mistake, be reclaimed by means of a reissue. On the other hand is the interest of the public and its individual members to be free to use that which the inventor has dedicated by not claiming.

The variety of circumstances presented in the cases has required the courts to cull the factors carefully in order to determine which interest is entitled to prevail. In absence of decisions of this court fixing the scope of such rights and the principles which should govern

their ascertainment, the results in the lower courts have not been uniform, and upon various points it is difficult, and indeed impossible, to reconcile the decisions of the various Circuit Courts of Appeal. That fact was recognized by this court when it granted certiorari in the case of *Keller* v. *Adams-Campbell Co.*, 264 U. S. 314, on the representation made in the petition that the case involved the question of intervening rights. It later decided that the question was not involved because there was, in fact, no infringement, and dismissed the petition, saying, however (p. 318):

> "The views of the Circuit Court of Appeals on the general subject of the scope of intervening rights are not entirely easy to reconcile. * * * The question, if it were really before us, would be one sufficiently important, therefore, to justify our consideration of it on certiorari."

In the present case the Circuit Court of Appeals recognized that there are no authoritative decisions to guide the lower courts. It said:

> "It would serve no useful purpose to analyze the remainder of the cases cited by defendant. *No case has been cited wherein the Supreme Court has ruled on the extent of the estoppel creating intervening rights in an otherwise valid reissue.* Therefore, as said by the trial court, in *General Refractories Co.* v. *Ashland Fire Brick Co., supra* [p. 218] (Italics ours),
>
> > 'It is a challenge to anyone confronted with such a question [referring to the so-called doctrine of intervening rights] to think it through, and see if it is not possible to reach a personal conviction in regard to it'."

2. The decision of the court below is in sharp conflict with the law as formulated by other Circuit Courts of Appeals.

In *H. W. Roos Co.* v. *McMillan*, 64 F. (2d) 568, the

Circuit Court of Appeals for the sixth circuit, in holding that intervening rights had not been established, nevertheless refused to enforce a reissue patent because of plaintiff's laches in applying for the same. The application for reissue had been filed well within two years after the grant of the original patent, but not until six months after the patentee had seen a clamp that suggested a possible deficiency in the scope of the claims of his original patent. The Court said that in view of the simplicity of the patented device, an inspection of the original patent at any time after its issuance and before seeing the other clamp should have disclosed the mistake or deficiency in the claims. In concluding that six months' delay was unreasonable under such circumstances, the Court said (p. 570):

> "In this view of the patentee's rights, we are content to hold, until the Supreme Court has held otherwise, that a reissue patent may be held to be invalid because of unreasonable delay in filing the application therefor, notwithstanding the absence of a showing of intervening private rights and even though the application were filed within two years from the date of the original issue.", (and at p. 571):
>
> "* * * In our opinion there are two reasons why the reissue patent cannot be sustained. The first is the failure of the patentee to file an application therefor prior to the date of his discovery of the use of a similar device in Chicago. An inspection by the patentee of his patent at any time after it issued and prior to his noticing the Chicago clamp would have disclosed the mistake which he claims was made, and, whether he did not inspect it and thus did not discover the mistake or did inspect it and failed to file his application, he was guilty of negligence effecting an unreasonable delay. The second is the failure to file an application for six months after he had seen the clamp which suggested a possible defect in his claims. This was

> sufficient to bar a reissue if it was not already barred by failure to discover the error, if there was error, and correct it in the preceding twelve months."

In *Autopiano Co.* v. *American Player Action Co.*, 222 Fed. 276, decided by the Circuit Court of Appeals for the second circuit, a patent had been issued containing broad claims. Six years later an application for a reissue was filed asking for only narrow claims in lieu of the broad claims of the original patent for the purpose of avoiding possible invalidation of the entire patent. A reissue was granted, as prayed for. Four months later application was made for a second reissue for the purpose of reestablishing the broad claims of the original patent. The application for the second reissue was also granted.

Defendant sold one accused device while the application for the first reissue was pending, and a second during the four months' period between the grant of the first reissue and the application for the second reissue. The Circuit Court of Appeals which decided that case treated it as though the original patent had issued with the narrow claims of the first reissue, and had been broadened by the second reissue, and as though the second reissue had been applied for within four months of the date of the original patent. The court held that since the defendant had started its use within the four months' period between the date of the first reissue and the application for the second reissue, the defendant had intervening rights, saying (p. 282):

> "We, therefore, reach the conclusion that complainant is estopped from claiming infringement by this particular defendant *in continuing the manufacture* and sale which it entered upon while the first reissue was the only public announcement of complainant's alleged monopoly." (Italics ours.)

The lower courts of the second circuit have followed

his decision consistently and have found intervening ights in two cases where the defendant's accused activity did not commence two years before the filing of he application for reissue, and in fact, was originally vithout knowledge of the patents. *Moto Meter Gauge & Equipment Company* v. *E. A. Laboratories,* 55 Fed. (2d) 936, 940 (D. C. N. Y.) and *Christman* v. *New York Air Brake Company,* 1 Fed. Supp. 211, 212 (D. C. N. Y.)

In *Wichita Visible Gasoline Pump Co.* v. *Clear Vision Pump Co.,* 19 Fed. (2d) 435, decided by the Circuit Court of Appeals for the eighth circuit, an original patent was issued May 20, 1919. Defendant commenced building a factory in July of 1920 and completed manufacture of its first pump therein in September of 1920. Application for reissue was filed February 8, 1921 for the purpose of dominating the device manufactured by defendant. The basis of the court's decision is concisely set out in the following (p. 438):

> "* * * Meantime appellants had developed a plant and a business relying upon the limitations of the Crouse invention as it was disclosed. We think upon the face of the record, at least as affecting these appellants, the reissue was not applied for within a reasonable time, nor upon a legitimate ground. Its object was to stifle competition from this source. For this reason we think appellant's device does not infringe the claims of the reissue patent."

It is clear that the troublesome questions relating to intervening rights have not yet been authoritatively adjudicated. It cannot be doubted that the various Circuit Courts of Appeals which have passed upon the question, will, until the question is settled by this court, continue to follow their own precedents; that the fate of litigants is in fact left to geographical happenstance—a situation that can be remedied at this time only by granting this petition and determining the issues here involved.

WHEREFORE your petitioner respectfully prays that a writ of certiorari be issued under the seal of this Court directed to the United States Circuit Court of Appeals for the Ninth Circuit commanding that Court to certify and send to this Court on a day to be designated a full and complete transcript of the record and all proceedings of said Circuit Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this Court; that the judgment of said Circuit Court of Appeals be reversed as to this patent; and that your petitioner be granted such other and further relief as may seem just and proper.

Respectfully submitted,

.....

Wm. Nevarre Cromwell

.....

Frank H. Towner

.....

Guy A. Gladson

Counsel for Petitioner.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

I.

The Opinions of the Courts Below.

The opinion of the Circuit Court of Appeals appears at 107 Fed. (2d) 318 (Advance Sheets, January 1, 1940); and is to be found at page 282 of the record. The district court filed no memorandum of opinion. The findings of fact and conclusions of law entered by the district court are at pages 89 to 94 of the record.

II.

Jurisdiction.

The jurisdiction of this court is invoked under section 240(a) of the Judicial Code as amended by the act of February 13, 1925; 28 U. S. C. 347(a).

The date of the judgment to be reviewed is November 3, 1939 (R. 281). A petition for rehearing filed December 2, 1939 was denied December 5, 1939 (R. 330).

The decision of the Circuit Court of Appeals for the ninth circuit is in conflict with decisions of the Circuit Courts of Appeals for the second, sixth and eighth circuits on an important question of federal law involving intervening rights in relation to reissue patents. Cases believed to sustain the jurisdiction in this instance are:

Keller v. *Adams-Campbell Co.*, 264 U. S. 314; 44 Sup. Ct. 356, 357.

Duplate Corporation, et al. v. *Triplex Safety Glass Co. of North America*, 298 U. S. 448, 452; 56 Sup. Ct. 792, 794.

III.

Statement.

The facts are thought to be sufficiently stated in the petition.

IV.

Specification of Errors.

The errors which defendant will urge, if the writ of certiorari is granted, are that the Circuit Court of Appeals for the ninth circuit erred:

1. In enjoining petitioner from continuing the use of a machine that did not infringe respondent's original patent where petitioner's use of said machine began ten months before plaintiff filed an application for reissue to obtain broadened claims for the purpose of dominating petitioner's machine;

2. In failing to hold that respondent was guilty of unnecessary delay and laches in applying for a reissue to secure broader claims and therefore may not assert said reissue patent to prevent petitioner's continued use of said machine.

3. In holding that respondent was not estopped to assert the broadened claims of its reissue patent to prevent continued use of petitioner's machine where the use of said machines was begun by petitioner before the application for reissue was filed and where such use was continued in reliance upon the narrowness of all of the claims of the original patent, while respondent was pressing its suit against petitioner for infringement of said original patent.

4. In concluding "In the instant case there was admittedly no knowledge of or reliance on the scope of plaintiff's [respondent's] patent and no facts creating an estoppel."

5. In failing to affirm the decree of the district court in its entirety.

6. In granting any relief to respondent.

SUMMARY OF ARGUMENT.

Notwithstanding the holding of the court below, and in reliance on different conclusions reached by other Circuit Courts of Appeals, and on principle, petitioner contends:

(a) Application for the reissue patent involved in the suit was not filed until twenty months after the grant of the original patent and ten months after petitioner commenced to use the accused machine. This long delay indulged in by respondent before applying for a reissue of its patent, constitutes such laches that respondent should be barred from enforcement of the broadened claims of the reissue against petitioner.

(b) The record in this case reveals facts demanding that respondent be estopped to enforce its reissue patent against petitioner. The undisputed evidence shows that from the time petitioner was advised by respondent of its claims under its original patent, petitioner proceeded in reliance upon the narrowness of those claims which the respondent admits were not infringed by petitioner's machine. The change of position thus induced by respondent's acts and litigation clearly constitutes an estoppel against the assertion of rights under the reissue patent against the petitioner.

(c) Intervening rights, in the true sense, are permanent in nature. This court should establish that the intervening rights contended for by petitioner here protect the petitioner in the continued use of the accused machine from the date of the granting of the reissue patent forward.

ARGUMENT[1]

I.

Respondent delayed so long in applying for a reissue of its patent that its laches should bar enforcement of the broadened claims of the reissue against petitioner.

Application for the reissue patent involved in suit was not filed until twenty months after the grant of the original patent and ten months after petitioner commenced to use the accused machine. From these facts alone, and without regard to petitioner's knowledge of the original patent, it seems that respondent was guilty of laches which should preclude it from asserting rights under the reissue patent superior to those of petitioner.

The district court so held, saying that "in view of the defense of intervening rights and the laches of the plaintiff" it was unnecessary to consider the other defenses to the reissue patent (R. 94). The Circuit Court of Appeals made no mention of respondent's laches, merely holding that petitioner had not established intervening rights. This refusal to consider laches at all, whenever application for reissue is made within two years, is an unwarranted construction of the statute. Other Circuit Courts of Appeals have given proper weight to the patentee's delay in a situation where the duty of diligence is imposed upon him.

In *H. W. Roos* v. *McMillan*, 64 Fed. (2d) 568, the Circuit Court of Appeals for the sixth circuit held that intervening rights had not been established, but nevertheless refused to enforce a reissue patent because of

[1] The statute relating to reissues is set forth in the Appendix, page 27.

the patentee's laches in applying for it. The application for reissue had been filed well within the two years after the grant of the original patent, but not until six months after the patentee had seen a clamp that suggested a possible deficiency in the scope of the claims of his original patent. The court said that in view of the simplicity of the patented device an inspection of the original patent at any time after its issuance and before seeing the other clamp should have disclosed the mistake or deficiency in the claims. In concluding that six months' delay was unreasonable under such circumstances, the court said at page 570:

> "In this view of the patentee's rights, we are content to hold, until the supreme court has held otherwise, that a reissue patent may be held to be invalid because of unreasonable delay in filing the application therefor, notwithstanding the absence of a showing of intervening private rights and even though the application was filed within two years from the date of the original issue."

The conclusion reached in *Roos* v. *McMillan* is exactly opposite to the conclusion of the majority of the court in the present suit. Here the patent was extremely simple (R. 110) and no expert was needed to point out that the claims thereof did not dominate petitioner's accused machine. Any sort of examination of its patent by respondent would have made its deficiencies apparent. Instead of looking into the merits of its charge of infringement, respondent started suit on the original patent and this led petitioner to believe it had to consider only the narrow claims of that patent. It was ten months after petitioner commenced its use of the accused machine, and three months after it started suit on the original patent, that respondent applied for the reissue here under consideration.

In *Wichita Visible Gasoline Pump Co.* v. *Clear Vision*

Pump Co., 19 Fed. (2d) 435, the Circuit Court of Appeals for the eighth circuit applied the doctrine of laches to a reissue applied for within two years after the grant of the original patent contrary to the holding of the lower court in the present case. There the original patent covering a pump was granted May 20, 1919. Petitioner built a pump in September, 1920, and previously had built a factory to make this pump. The application for reissue was filed February 8, 1921, which was twenty months after the original patent was granted.

On these facts the court there said at page 438:

> "It was not until appellee discovered appellee's device that it took any steps to make its patent cover appellant's structure. It called its patent attorney, who did not venture a suit upon the original patent, although now claiming that a cause of action existed and that the reissue was procured only out of abundance of caution and as against other infringers. Meantime appellants had developed a plan and a business relying upon the limitations of the Crouse invention as was disclosed. We think upon the face of the record, at least, as affecting these appellants the reissue was not applied for within a reasonable time nor upon a legitimate ground. Its object was to stifle competition from this source. For this reason, we think appellant's does not infringe the claims of the reissue patent."

The holding that a patentee may be guilty of laches, which will bar him from securing a valid reissue, appears to be sound. The courts have been liberal in their construction of the statute authorizing reissues in order to protect an inventor where the rights of third parties have not intervened. But their zeal to protect an inventor who, through his own mistake, has failed to make proper claims to his invention should not lead them to hold that his rights are superior to those of one who uses a device not dominated by the claims of an original

patent where such use began before an application for reissue was made. They should recognize that the policy behind the granting of a limited monopoly under the patent laws is in derogation of the fundamental policies of free enterprise and competition and hold that the inventor has the burden of diligence and care if he would have the benefit of the monopoly. Conversely, the recognition of the rights in a third person is supported by the broad underlying interest in the preservation of competition.

Such an approach would protect the rights of one who has begun the use of an unpatented device without putting upon him the burden and uncertainty of being able to show facts which create an estoppel. It would protect the rights of those who have small investments as well as those who have large investments. It would free the purchaser of a single device of the expense of having a patent attorney investigate the matter of infringement in order to protect him.

The placing of such burdens on third parties may be justified in the interests of encouraging inventions and protecting diligent inventors, but they do not appear to be justified to protect a negligent inventor. Moreover, the right of an inventor to enlarge his patent should not, in absence of clear congressional intent, be extended for a period of two years in derogation of the interests of persons who, in the meantime, have changed their position, whether with or without knowledge of the narrow claims of the original patent.'

In two early decisions this court indicated that an inventor seeking to broaden his claims through reissue must be diligent, and in one of them indicated that the application for reissue should be applied for before any rights in favor of third parties could reasonably be ex-

pected to have attached. In *Miller* v. *Bridgeport Brass,* 104 U. S. 350, the court said at page 352:

> "If two years' public enjoyment of an invention with the consent and allowance of the inventor is evidence of abandonment, and a bar to an application for a patent, a public disclaimer in the patent itself should be construed equally favorable to the public. Nothing but a clear mistake or inadvertence, *and a speedy application for its correction* is admissible when it is sought merely to enlarge the claim." (Italics ours.)

In *Topliff* v. *Topliff,* 145 U. S. 156, the court said at page 829:

> "Whether this be an enlargement of the original claim or not, it is for the same invention, and, in view of the fact that the reissue was applied for as soon as the mistake was discovered, and *before any rights in favor of third parties could reasonably be expected to have attached,* or had in fact attached, we think this reissue is not open to the objections which have proved fatal to so many since the case of *Miller* v. *Bridgeport Brass Company,* 104 U. S. 350, was decided." (Italics ours.)

Most of the courts have recognized the fundamental justice of protecting intervening rights, but in doing so have at times found it difficult to assign a reason therefor. Some of them have found it necessary to base their decisions on the fiction of estoppel where no true estoppel exists; a few have said merely that the inventor was guilty of laches in applying for a reissue. This court should hold squarely that the rights of an inventor to a reissue patent are subordinate to those of one who has changed his position in the meantime, and relieve the courts of the necessity of groping for reasons therefor.

II.

The record in this case reveals undisputed facts demanding that respondent be estopped to enforce its reissue patent against petitioner.

We have urged under the first point of our argument that the respondent's laches should prevent the enforcement of the reissue patent against the petitioner. The respondent's sins of omission there discussed are equalled, if not exceeded, by its sins of commission. There can be no question here that by affirmative acts it misled the petitioner and, if the decision of the court below should stand, to its injury.

We do not here raise a disputed question of fact. The record shows without contradiction that some little time after discovery of petitioner's use of the accused machine, respondent notified petitioner that the machine was an infringement of respondent's mechanical and design patents (R. 71). The notice demanded petitioner's acquiescence in the rights asserted, and an accounting, within ten days. On petitioner's failure to reply, respondent on the eleventh day filed suit (R. 2).

As soon as petitioner was able to complete its investigation of the charges thus preferred by notice and litigation, it filed an answer denying infringement of either the mechanical or the design patent (R. 12); petitioner continued to use the accused machine (R. 80). Thus petitioner's position was completely changed by respondent's affirmative acts. Having knowledge of respondent's patents petitioner concluded that the machine it was using was not embraced within their claims. Petitioner concluded, and rightly, that it could continue to use the machine without liability to respondent.

Respondent ultimately admitted that there was no infringement of the original mechanical patent (R. 86,

87) and both of the courts below held that there was no infringement of the design patent (R. 94, 284).

For months after its initial step in notifying petitioner of the alleged infringement of its original patent, respondent by pressing its suit led petitioner to believe that it was relying solely upon the claims of that patent. Even after the application for reissue had been tardily filed on January 15, 1936, respondent by insisting on further answers to its interrogatories led petitioner to believe that it was still relying upon the claims of the original patent. These further answers were filed May 16, 1936 (R. 80).

The court below found as its ultimate conclusion on the question of intervening rights that "In the instant case there was admittedly no knowledge of or reliance on the scope of plaintiff's patent and no facts creating an estoppel." (R. 310.)

This can only be regarded as a conclusion of law. As a statement of fact it is obviously erroneous. It is equally unconvincing as a conclusion of law. An insubstantial foundation—and the only foundation for it in the record—is the fact that petitioner did not know of respondent's patent claims when petitioner *commenced* to use the accused machine. But estoppel could and did arise when respondent advised petitioner and led petitioner to believe, for over three months before filing an application for reissue, and thereafter, that the narrow claims of the original patent were all respondent relied on.

The court below does not point out, nor does there seem to exist, any sound basis for a distinction between the circumstance that use of a machine *is begun* in reliance upon the narrow claims of a patent, and the slightly different circumstance that such use, having been begun without such knowledge, *is continued* in reliance on the

narrow claims for an extended period before application for reissue is made.

In *Keller* v. *Adams-Campbell Co.*, 287 Fed. 838, the court said that "prior to any knowledge on their part of the Keller patent the appellees had been working on their device and had made and sold a few of them but, subsequently, learned of and became familiar with the original Keller patent * * *" (p. 841). The court's conclusion was "we, therefore, think it clear that the appellees had and have such intervening rights as were properly protected by the court below." (p. 841.)

In the second district the district courts have twice, following the principle of the *Autopiano* case (222 Fed. 276), found intervening rights in cases where the defendant's activity began without knowledge of the original patents. (*Moto Meter Gauge & Equipment Company* v. *E. A. Laboratories*, 55 Fed. (2d) 936, 940; *Christman* v. *New York Air Brake Company*, 1 Fed. Supp. 211, 212.)

III.

Intervening rights in the true sense are permanent in nature.

The court below sugggests that in situations where intervening rights may be established on the basis of estoppel they should extend only to the date of the grant of the reissue. This suggestion indicates a complete misunderstanding of the nature of a reissue patent. While it is true that a reissue may incorporate broadened claims (*Topliff* v. *Topliff*, 145 U. S. 156, 170, 171), the enlarged claims speak *only from the date of the reissue* (*Altoona Theatres* v. *Tri-Ergon Corp.*, 294 U. S. 477, 491). There can be no infringement of the broadened claims prior to grant of the reissue. To say that the right of use, prior to the reissue, is an "intervening

right," is to say that an absolute right of the public generaliy, must somehow be specially found in the case of one who avails himself of it. Such a conclusion appears to be contrary to several of the decisions of other Circuit Courts of Appeals, as well as to this court's decision in the *Altoona* case just referred to.

The inadequacy of intervening rights having such narrow scope seems clear. Investments made or business created or economies effected by the manufacture, use or sale of a device which some negligent inventor has failed to cover by claims when securing an original patent, will be lost by such a doctrine. It is no satisfaction to the one who is said to have acquired intervening rights to be told that he is thereby protected against liability for infringement up to the time of the reissue. This is true under the law relating to reissues, regardless of laches, estoppel, or other pertinent considerations.

Although there appears to be some inconsistency in the decisions, most of the courts which have found intervening rights to exist, have held them to be of a permanent nature, and have, in effect, said that the rights of an inventor secured through a reissue are subordinate to the rights of one who has in the meantime begun the manufacture, use or sale of a device which does not infringe the original patent. *Autopiano Co.* v. *American Player Action Co.*, 222 Fed. 276, 282; *Moto Meter Gauge & Equipment Co.* v. *E. A. Laboratories*, 55 Fed. (2d) 936, 940; *Christman* v. *New York Air Brake Co.*, 1 Fed. Supp. 211, 212; *Ashland Fire Brick Co.* v. *General Refractories Co.*, 27 Fed. (2d) 744, 747; *Bulldog Floor Clip Co.* v. *Munson Mfg. Co.*, 19 Fed. (2d) 43, 46; *Wichita Visible Gas Pump Co.* v. *Clear Vision Pump Co.*, 19 Fed. (2d) 435, 438; *Keller* v. *Adams-Campbell Co.*, 287 Fed. 838, 841.

The petitioner here can under no circumstances be

subject to any liability to respondent for its use of the accused machine prior to the date of the issuance of the reissue patent. It is submitted that this court should establish that the intervening rights contended for by petitioner here extend, not *to* the date of the reissue, but *from* that date forward.

CONCLUSION.

We respectfully submit that for the reasons stated the petition for certiorari filed herein should be granted.

Respectfully submitted,

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FRANK H. TOWNER,
GUY A. GLADSON,
Counsel for petitioner.

APPENDIX.

Section 4916, Rev. Stat. as amended May 24, 1928, chapter 730, 45 Stat. 732, reads as follows:

"Whenever any patent is wholly or partly inoperative or invalid, by reason of a defective or insufficient specification, or by reason of the patentee claiming as his own invention or discovery more than he had a right to claim as new, if the error has arisen by inadvertence, accident, or mistake, and without any fraudulent or deceptive intention, the commissioner shall, on the surrender of such patent and the payment of the duty required by law, cause a patent for the same invention, and in accordance with the corrected specification, to be reissued to the patentee or to his assigns or legal representatives, for the unexpired part of the term of the original patent. Such surrender shall take effect upon the issue of the reissued patent, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent to the extent that its claims are identical with the original patent shall constitute a continuation thereof and have effect continuously from the date of the original patent. The commissioner may, in his discretion, cause several patents to be issued for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for reissue for each of such reissued letters patent. The specifications and claims in every such case shall be subject to revision and restriction in the same manner as original applications are. Every patent so reissued, together with the corrected specifications, shall have the same effect and operation in law, on the trial of all actions for causes thereafter arising, as if the

same had been originally filed in such corrected form; but no new matter shall be introduced into the specification, nor in the case of a machine patent shall the model or drawings be amended, except each by the other; but when there is neither model nor drawing, amendments may be made upon proof satisfactory to the commissioner that such new matter or amendment was a part of the original invention, and was omitted from the specification by inadvertence, accident, or mistake, as aforesaid."

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FEB 27

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1939

No. 671

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Respondent.

PETITIONER'S REPLY TO RESPONDENT'S REPLY BRIEF ON PETITION FOR WRIT OF CERTIORARI

WM. NEVARRE CROMWELL,
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To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

In answer to respondent's reply brief petitioner respectfully submits:

I.

In substance respondent's contention that this court should refuse to take jurisdiction is based upon the bold assertion that this court's decisions preclude the existence of intervening rights where a reissue patent is

granted with broadened claims on application filed within two years of the original issue (see reply brief, page 3, numbered paragraph 1, as modified by numbered paragraph 2, page 3). The cases cited in support of this proposition do not so hold.[1] Only one of them involved a reissue applied for within two years, and in that case the court held the reissue valid because it had been applied for within five months and "before any rights in favor of third parties could reasonably be expected to have attached, *or had in fact attached* * * *" (*Topliff* v. *Topliff*, 145 U. S. 156, 165; italics supplied). Not only the *Topliff case* but most of the others emphasize that the patentee must be diligent in correcting defects if he would have a broadened reissue. (See *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 352.).

Respondent's assertion that the matter of intervening rights in relation to a reissue made upon application filed within two years has been determined by this court is contrary to what was said by this court in *Keller* v. *Adams-Campbell Co.*, 264 U. S. 314, 318, to what the Circuit Court of Appeals said in the present case, *National Nut Company of California* v. *Sontag Chain Stores Co., Ltd.*, 104 Fed (2d) 318, 328 (R. 305), and to what other courts have said. (*General Refractories Co.* v. *Ashland Firebrick Co.*, 15 Fed. (2d) 215, 218.)

II.

Respondent also urges that there is no conflict with decisions of other circuit courts of appeals because "the

[1] It is obvious that respondent places great reliance on the case of *Abercrombie & Fitch Co.* v. *Baldwin*, 245 U. S. 198, cited no less than five times in the reply. The case is not in point. The reissue application there involved was filed seven years after the original patent issued. Not only that, but the claims of the reissue did not broaden the claims of the original patent. If the decision did not turn upon the point that the reissue claims were not broadened claims, the case would have to be deemed to overrule the earlier case of *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350. Not even respondent contends this to be so, but relies upon both cases.

facts in this case have never been passed upon by any other circuit court of appeals." The rules of this court establish as a basis of the jurisdiction now sought to be invoked a conflict among the decisions of the several circuit courts of appeals. Neither those rules nor any decision establish that there can be a conflict only where the facts in any given case have been passed upon by more than one circuit court of appeals. A principle formulated in a case involving a roan horse is equally applicable in a case involving a black horse. It is perfectly obvious that the circuit courts of appeals for the second, sixth and eighth circuits have established principles different from those announced in this latest decision of the ninth circuit (*H. W. Roos Co.* v. *McMillan,* 64 Fed. (2d) 568; *Autopiano Co.* v. *American Player Action Co.,* 222 Fed. 276; *Wichita Visible Gasoline Pump Co.* v. *Clear Vision Pump Co.,* 19 Fed. (2d) 435), and that the application of these principles to the facts of the present case would have given a different result.

III.

Respondent asserts that the court below "has properly held that the defense of 'laches' has not been sustained." (Reply Brief, p. 17.) The trial court found that respondent had been guilty of laches (R. 94), but the Circuit Court of Appeals did not decide this question. Indeed, all that respondent can find in the opinion to support the foregoing assertion is a statement that petitioner had the burden of proof to show laches. (R. 289) Here, as elsewhere, respondent's contention is transparently fallacious.

IV.

Respondent repeatedly refers to the finding of the court below that there were "no facts creating an estoppel,"

because "there was admittedly no knowledge of or reliance on the scope of plaintiff's patent." (R. 310.) Under the second point of the argument in our petition we show that though petitioner had no knowledge of respondent's patent when it *began* to use the accused machine, it subsequently acquired such knowledge, and from that time proceeded to use the accused machine and build up its business in reliance upon the narrow claims of the original patent. Petitioner was entitled to do so because under the law as established by the Circuit Court of Appeals of the Ninth Circuit (until the decision in this case), petitioner had acquired intervening rights. (*Keller* v. *Adams-Campbell Co.*, 287 Fed. 838, 841.) In the *Keller case,* as here, the alleged infringers were *originally* without knowledge of the patent. The finding of the court below is, therefore, patently erroneous, and its conclusion of law that there is no estoppel in this case cannot be accepted.

Respondent in reply to this point disputes only the conclusion, not the facts, and says only that respondent's right to a reissue is absolute for a period of two years after grant of the original patent. If that be the law, it has not been so announced by this court, and several Circuit Courts of Appeals have held to the contrary. (*Roos* v. *McMillan,* 64 Fed. (2d) 568, 570; *Autopiano Co.* v. *American Player Action Co.,* 222 F 1. 276; *Wichita Visible Gasoline Pump Co.* v. *Clear Vision Pump Co.,* 19 Fed. (2d) 435.)

V.

Respondent criticizes petitioner's statement with respect to the celerity with which application for reissue was filed after petitioner had furnished information in response to interrogatories. (Reply Brief, p. 5, par. (6).) A sufficient answer to respondent's suggestion is found

in the findings of the trial court which were not questioned in the court below:

> "(11) That immediately thereafter and on January 13, 1936, plaintiff caused an application for a reissue of said original patent No. 1,958,409 to be executed by plaintiff's assignor (just two days after the information inquired about in the interrogatories was furnished); (see certified copy of the file wrapper of Reissue patent No. 20,024).
>
> "(12) That immediately thereafter and on January 15, 1936, said reissue application was filed with altered specifications and expanded claims, most of which new claims were framed on the interrogatories and answers thereto, above referred to." (R. 92)

CONCLUSION.

It is respectfully submitted:

(1) That this case presents an important question of Federal law, which has not yet been but should be determined by this court.

(2) That there is a conflict in the decisions of the several Circuit Courts of Appeals with respect to the issue here involved.

(3) The question is particularly important at this time. The granting of the monopoly of a patent is still justified by sound public policy, but there have been great changes in conditions in this country since the formulation of that policy. Many devices employed by patent owners after grant of the original patent have been held contrary to the public interest as that interest has evolved in various ways since the eighteenth century. Here the use of the reissue statute to protect an inequitable monopoly in the hands of a careless patentee

at the expense of a third person seems another example of unjustified and unsound diversion of the policy of the patent laws.

WHEREFORE, petitioner respectfully prays that the writ be granted.

Respectfully submitted,

WM. NEVARRE CROMWELL,
FRANK H. TOWNER,
GUY A. GLADSON,
Counsel for petitioner.

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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1939

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ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF FOR PETITIONER

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Supreme Court of the United States

OCTOBER TERM, A. D. 1939

No. 671

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF FOR PETITIONER

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

This case is before the Court on certiorari to review a decree of the United States Circuit Court of Appeals for the Ninth Circuit (104 Fed. (2d) 318), reversing the decree of the District Court (R. 95), and holding that

petitioner had infringed Reissue No. 20,204 (granted June 30, 1936) of Kohler Patent 1,958,409 (granted May 15, 1934), by continuing, after grant of the reissue, to use a nut treating machine petitioner had commenced to use after the original patent was issued and before application for the reissue was filed. Both decrees turned upon the question of intervening rights in relation to the broadened claims of said reissue patent, and this court took the case upon petitioner's assertion that this was the question involved.

Opinions Below.

The opinion of the Circuit Court of Appeals appears at 107 Fed. (2d) 318 (Advance Sheets, January 1, 1940); and is to be found at page 282 of the record. The district court filed no memorandum of opinion. The findings of fact and conclusions of law entered by the district court are at pages 89 to 94 of the record.

Jurisdiction.

The jurisdiction of this court is invoked under Section 240(a) of the Judicial Code, as amended by the Act of February 13, 1925 (28 U. S. C. 347 (a)). Cases believed to sustain the jurisdiction in this instance are *Keller* v. *Adams-Campbell Co.*, 264 U. S. 314, 318; *Duplate Corporation* v. *Triplex Safety Glass Co.*, 298 U. S. 448, 452. This court granted certiorari on March 4, 1940.

Statute Involved.

The statute involved in this case is Section 4916, Rev. Stat. as amended May 24, 1928, Chapter 730, 45 Stat. 732; 35 U. S. C. 64, a copy of which is set forth as Appendix A at page 57.

STATEMENT OF CASE.

On or about March 18, 1935 petitioner, Sontag Chain Stores Co., Ltd. procured the accused machine from The Susu Nut Co. of Chicago. It installed and started to use said machine in its store at San Francisco about April 1, 1935 (R. 79). At that time petitioner had not learned of the Kohler patent, of which respondent was assignee (R. 77).

The Susu Nut Co. had been active since 1931 in developing and selling machines for heating nuts (R. 131, 136, 137). It started to manufacture and sell machines like the accused machine before August, 1934 (R. 143, 146, 147). Another company, Nut Products Co., also had been engaged since 1931 in developing and marketing nut toasting or warming machines invented by William Willard Kelly and shown in Kelly patent 1,945,196 (R. 113, 155, Deft's Ex. M).

Sometime prior to October 8, 1935 the president of respondent observed the accused machine in a store of petitioner. He then discussed the similarity of respondent's machine to that of petitioner's with various people and gave consideration to the question of bringing suit for infringement (R. 105).

On October 8, 1935, respondent sent petitioner notice that its use of the accused machine was an infringement of respondent's patent (R. 71). This notice gave petitioner its first knowledge of the original patent (R. 77). While the record is not clear as to the exact time, it is apparent that respondent's knowledge of petitioner's machine was acquired at least some weeks prior to such notice (R. 105).

On October 19, 1935, respondent instituted suit in the United States District Court (case 3941-S), charging

petitioner with infringement of its original patent and also of a design patent (R. 9). Petitioner answered (November 22, 1935) denying infringement (R. 12), and continued to use the accused machine (R. 80). We are not here concerned with the design patent because both of the courts below held that the accused machine did not infringe that patent (R. 94, 284).

On January 15, 1936, respondent applied for a re-issue of its patent, asserting seventeen claims, the first four of which were identical with the four claims of original patent No. 1,958,409 (R. 338, 346). The thirteen additional claims were of broader scope and were framed to cover the machine being used by the petitioner (R. 92).[1]

In Kohler's oath accompanying the application for reissue, which sets forth the grounds upon which said reissue was thought to be justified, it was asserted that respondent's former patent attorney "failed to grasp the full and broad significance of all the novel features of the invention and omitted to adequately define and claim the invention in all of its aspects." In that same oath Kohler stated that the "errors and insufficiencies of the specification and claims were inadvertently overlooked by him when the application was read by him prior to its execution" and that "he and his assignee rested secure in the belief of adequate protection covering his invention, and in his confidence in his attorney, until November, 1935 at which time circumstances attending certain pending litigation involving the present and other inventions prompted deponent and his assignee to seek advice relative to the extent of protection secured

[1] The District Court found (and the Court of Appeals did not deny) that most of the new claims of the reissue patent were framed on interrogatories propounded by respondent and answered by petitioner (R. 92).

by various patents owned by deponent's assignee including the one referred to in the foregoing petition." (Pltf's Ex. A, R. 101, Appendix B.)

Respondent did not notify petitioner of its application for a reissue. On the contrary, by keeping the petitioner busy from December 16, 1935 until May 16, 1936 with interrogatories in Suit No. 3941-S (R. 61-80), respondent led petitioner to believe that respondent relied on its original patent. Petitioner continued to use the accused machine in reliance upon respondent's assertion of the narrow claims of the original patent.

On June 30, 1936 reissue patent No. 20,024 was granted to respondent. This reissue patent contained the four original narrow claims and the thirteen broadened claims above referred to (R. 92, 337).

On June 26, 1936, respondent moved to amend its bill of complaint in the original suit and to file an amended and supplemental bill to include a charge of infringement of the reissue (R. 17). On September 18, 1936 the trial court denied the motion in so far as it sought to add the broadened claims to its asserted cause of action, but allowed respondent to file an amended and supplemental bill based upon the first four claims of the reissue (R. 17), which, as noted, were the same as the four claims of the original patent. Thereafter on January 11, 1937, such an amended and supplemental bill was filed (R. 18).

On January 26, 1937, nearly six months after the reissue (and fifteen months after first notice of infringement of the original patent), respondent instituted a new suit (Case 4133-S) charging petitioner with infringement of all the broadened claims of the reissue patent by reason of petitioner's *use* of machines (R. 42-51). In its answer in this suit petitioner asserted that

respondent was estopped to assert the broad claims 5 to 17 of the reissue patent against petitioner because petitioner acquired intervening rights and had publicly used the accused device in reliance on the narrow claims of the original patent (R. 58), and it also asserted the reissue to be invalid because respondent was guilty of laches in applying for the same (R. 59). The two cases, 3941-S on claims 1 to 4 of the reissue, and 4133-S on the broadened claims (5 to 17) of the reissue, were consolidated for purposes of trial (R. 84, 86).

In advance of the trial respondent stated that it would not rely upon claims 1 to 4 of the reissue patent (R. 86), thus conceding that petitioner's use of its machine had not infringed original patent No. 1,958,409. Since the issue relating to the design patent is not here involved, this proceeding, although originating in two separate suits, in reality is a review of the suit based on the reissue patent. Respondent's statement of claims relied upon (R. 87) selected only certain broadened claims, Nos. 6, 8, 9, 10, 11, 13, 14, 15 and 17, of the reissue.

The patent in suit, admitted by respondent to be a simple one (R. 110), shows three identical units, each comprising a rotating pan or receptacle over a heating unit with a stationary scraper extending into the pan to mix the nuts displayed therein (R. 333-346).

The original Kohler patent, No. 1,958,409, of which respondent is assignee, entitled Nut Buttering Machine, contained four claims (R. 346) all limited, among other things, to an apparatus provided with a housing having a circular opening in its top wall, *within* which opening a nut container is disposed, and also provided with a heating element so positioned that the heat therefrom will be directed upward.

In the accused device there are no openings in the

top wall of the motor housing; the nut receptacles are positioned above, not within, the top of the housing; and the heating elements are above rather than below the nuts. These differences freed the accused machine from infringement of the four original claims. In the broadened claims of the reissue, all of the mentioned limitations of original claims 1 to 4 are eliminated. Claim 6, for example, specifies that the nut receptacle shall be mounted *upon* the housing and that the heating element shall be spaced from the receptacle, without indicating the position of the element in relation to the receptacle.

At the trial it was conceded that the claims of the reissue relied upon were infringed if the patent were valid (R. 110).

The Decisions Below.

The case was submitted to the district court primarily upon the question of whether the petitioner on the facts above stated had acquired intervening rights (including those which would arise from laches of respondent) that would prevent respondent from obtaining injunctive relief against continued use of the accused machine (R. 93, 107), and secondarily, upon the question of the validity of the reissue over the prior art (R. 109). The district court held (R. 94) that the petitioner had acquired intervening rights and that in view thereof and the laches of respondent it was not necessary to consider other defenses. The district court also held that there was no infringement of the design patent (R. 94) and entered judgment for petitioner in both cases (R. 96).

On appeal the Circuit Court of Appeals (Judge Haney dissenting) reversed the district court with respect to the reissue patent (107 Fed. (2d) 318). It held, in substance, that since the application for the broadened re-

issue was filed within two years after grant of the original patent, any intervening rights would have to be based upon adverse use by the petitioner for at least two years prior to the application for reissue, or upon knowledge of and reliance upon the narrow claims of the original patent, or facts creating an estoppel. It also held that because petitioner *began* its use of the accused machine without actual knowledge of the original patent there were no facts upon which an estoppel could be predicated.

Although the decision of the Circuit Court of Appeals is silent on the question of whether an estoppel was created in favor of petitioner because of its *continuing* to use the machine for at least nine months after it learned of the original patent, in reliance upon the narrowness of the claims thereof and in reliance upon respondent's assertion of those narrow claims in a suit based on the original patent, and is also silent upon the question of whether respondent was guilty of laches, the holding of the Circuit Court of Appeals and the propositions of law formulated by it answer these questions in the negative.

Judge Haney dissented because he felt the conclusion of the majority of the court below overruled the prior decision of the same court in the case of *Keller* v. *Adams-Campbell Co.*, decided by the Court of Appeals for the Ninth Circuit (287 Fed. 838, 841). Judge Haney said:

> "In that case the reissued patent was issued less than two years after the original patent was issued, and the court held: 'We therefore think it clear that the appellees had and have such intervening rights as were properly protected by the court below.'" (107 Fed. (2d) 318, 335.)

Specification of Errors.

Petitioner intends to urge the errors specified in the petition, namely, that the Circuit Court of Appeals for the Ninth Circuit erred:

1. In enjoining petitioner from continuing the use of a machine that did not infringe respondent's original patent where petitioner's use of said machine began ten months before plaintiff filed an application for reissue to obtain broadened claims for the purpose of dominating petitioner's machine;
2. In failing to hold that respondent was guilty of unnecessary delay and laches in applying for a reissue to secure broader claims and therefore may not assert said reissue patent to prevent petitioner's continued use of said machine;
3. In holding that respondent was not estopped to assert the broadened claims of its reissue patent to prevent continued use of petitioner's machine where the use of said machines was begun by petitioner before the application for reissue was filed and where such use was continued in reliance upon the narrowness of all of the claims of the original patent, while respondent was pressing its suit against petitioner for infringement of said original patent.
4. In concluding "In the instant case there was admittedly no knowledge of or reliance on the scope of plaintiff's (respondent's) patent and no facts creating an estoppel."
5. In failing to affirm the decree of the district court in its entirety.
6. In granting any relief to respondent.

Summary of Argument.

Based historically on an 1832 decision of this court granting the traditional equitable relief for mistake, the right to reissue of a patent to correct a mistake was later in that year authorized by Act of Congress. The amendment of that Act in 1836 cast the mold of the statute which still substantially prevails.

The privilege of reissue was greatly abused. It was used largely to extend the claims of an original invention so as to monopolize later inventions of others obviously never thought of by the patentee. For years the courts overlooked the rights of the public and denied any recognition to the defense of the intervening rights.

Condemning this abuse, this court in 1882, while holding that the reissue statute did not in terms authorize reissues for the purpose of broadening claims, also held that such reissues might be granted in situations where equity would grant relief for the mistake. Also announced was the equitable doctrine that a patentee, desiring to broaden the claims of his patent, owed a duty of diligence requiring application for reissue before adverse rights were acquired by others.

As a consequence, the abuses under the reissue statute were somewhat curtailed. Broadened reissues have been invalidated by this court whenever intervening rights have existed, often but not always on the ground of laches. Although this seems an effective recognition of intervening rights, the court has never held that a reissue patent with broadened claims will be invalidated on that ground alone, where application for the reissue was made within two years.

Pressure on the lower courts in the last thirty or forty years to protect members of the public who have

ut to use advances in the art sought to be covered by he broadened claims of reissue patents, has resulted in ery widespread establishment of the defense of intervening rights. Lacking authoritative decision, the lower ourts have evolved a number of bases for their decisions, sometimes relying upon estoppel, sometimes upon aches (although application for reissue was made within the two-year period), and sometimes upon a kind of nding of non-infringement based upon a mixture of hese grounds.

It is submitted that proper protection of the intervening user and the public requires only that well established equitable principles be clarified and related to resent-day conditions: the patentee should be required o be diligent and to take action to obtain a reissue roadening the claims of his original patent before any ntervening use shall have arisen, even though application for reissue was made within two years of the grant f the original patent.

In the case at bar any theory recognizing the rights f the intervening user (even if application for reissue as made within two years of issuance of the original atent) requires a reversal of the decree below and protection of the petitioner's intervening rights.

ARGUMENT.

Introductory.

"All rights tend to declare themselves absolute to their logical extreme. Yet all in fact are limited by the neighborhood of principles of policy which are other than those on which the particular right is founded, and which become strong enough to hold their own when a certain point is reached." [2]

The case at bar presents a conflict between the interests of a patentee in broadening the monopoly sought by him under the patent laws, and the interests of the user of a machine which infringes, *not* the claims of the original patent issued to the patentee, *but only* the broadened claims of the reissued patent procured for the purpose of dominating that machine.

So far as those interests are merely private interests the conflict is easy of solution, for the intervening user in this case acted in good faith on a dedication to the public made by the patentee when he narrowly limited the field of his monopoly by the claims of the original patent. The patent system, however, is rooted in a constitutionally declared public interest in the promotion of "the progress of science and the useful arts" (Constitution, Article 1, Sec. 8, Cl. 8). Opposing that interest is the public interest in preventing unregulated monopolies, likewise a cornerstone of our system of government. How far the public policy behind the patent system should tip the balance otherwise clearly in the intervening user's favor is the question in this case.

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[2] Holmes, J., in *Hudson County Water Company* v. *McCarter* (1907) 209 U. S. 348, at page 355.

I.

The right to a reissue patent with broadened claims is purely an equitable right, and, as such, is subject to be defeated by other equitable rights.

The *method* of broadening the claims of a patent by reissue is provided by Section 4916 of the Revised Statutes (as amended May 24, 1928), which in all substantial respects is the same as Section 13 of the Act of 1836 (5 Stat. 117). When it is said that this section provides the method of amendment, it should at once be noted that it does not in terms authorize the broadening of claims. *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350 (1882) so held, but the court then provided the missing authority by holding that claims may be enlarged "when an actual mistake has occurred, not from a mere error of judgment (for that may be rectified by appeal), but a real *bona fide* mistake, inadvertently committed, such as a court of chancery, in cases within its ordinary jurisdiction, would correct." (p. 355.) As was said in *James* v. *Campbell*, 104 U. S. 356, decided the same day as *Miller* v. *Bridgeport Brass Co.*, a mistake in making too narrow a claim could be remedied by "a speedy application for its correction, *before adverse rights have accrued* * * *" (p. 365). Thus, the ground for broadening the claims of a patent under the statutory authority really rests not on the letter of the statute but outside it, and on the equitable ground stated in *Miller* v. *Bridgeport Brass Co.* But the court contemporaneously indicated that this equitable enlargement was subject to equitable limitation in favor of those having "adverse rights."

It may fairly be said that in both respects these two decisions followed what had been forecast by Chief

Justice Marshall fifty years before in *Grant* v. *Raymond*, 6 Peters, 218, the decision resulting in the first statute relating to reissues. Although reenactment in 1928 (without change in this respect) of the statute thus construed in 1882 presupposes congressional adoption of the construction (*Electric Storage Battery Co.* v. *Shimadzu*, 307 U. S. 5, 14; *Hecht* v. *Malley*, 265 U. S. 144, 153; *U. S.* v. *Elgin, Joliet & Eastern Ry. Co.*, 298 U. S. 492, 500; *Sessions* v. *Romadka*, 145 U. S. 29, 42; *Latimer* v. *U. S.*, 223 U. S. 501, 504), that construction is an equitable one requiring application of equitable principles: the questions for solution here cannot be answered by the dry formalism of literal interpretation of language read, by this court, into a statute first formulated in 1836.

II.

Under the early statutes, and the decisions construing them, the interests of the public or the intervening user had little, if any, protection. Great abuses resulted.

Although the Patent Act of 1793 (1 Stat. 318) made no provision for reissues, Dr. Thornton, for many years superintendent of the patent office, had adopted on his own responsibility the practice of accepting the surrender of patents and issuing new ones, sometimes without further fee ("Reissued Patents and Intervening Rights," 43 Yale Law Journal, 766, 770). Pursuant to this practice, a patent relating to a hat making machine, which had been issued in 1821, was reissued in 1825, apparently with broadened claims.

In 1832 the validity of the reissued patent came before the court in *Grant* v. *Raymond*, 6 Peters, 218. Chief Justice Marshall delivered the opinion of the court and sustained the reissued patent, saying:

"If the mistake should be committed in the department of state, no one would say that it ought not to be corrected. All would admit that a new patent, correcting the error, and which would secure to the patentee the benefits which the law intended to secure, ought to be issued. And yet the act does not in terms authorize a new patent, even in this case. Its emanation is not founded on the words of the law, but is indispensably necessary to the faithful execution of the solemn promise made by the United States. Why should not the same step be taken for the same purpose, if the mistake has been innocently committed by the inventor himself?" (p. 241).

Mr. Webster's argument strongly stated the plight of the intervening user.[3] The court said, however, that the question thus raised "is not before the Court, and is not involved in the opinion we are considering. *The defense when true in fact may be sufficient in law,* notwithstanding the validity of the new patent." (6 Peters, p. 244, italics supplied.) Thus, in this first case the very question in the case at bar was considered, and while not passed upon, the language of the Chief Justice should have been an effective warning to patentees to be diligent.

[3] "A man builds an expensive factory, puts in costly machinery not patented, not described in any specification; he expends much money; by and by he is sued for violating a patent, and he finds that since he built, an old patent has come out with a new specification. A hearing, of which he knew nothing, has been had before the secretary, and a new patent has issued, and he is called on to stop his factory. Now this supposed case is the very case before the Court. The defendants erected their works in 1823, 1824. They knew o. the plaintiff's patent of August 11, 1821, but it did not describe any machinery used by them. But in 1825, he surrendered his first patent, took out another, with a specification describing their machinery, and sued them. Under the direction of the Court he has recovered a verdict for three thousand two hundred and sixty-six dollars; and is entitled, of course, to have this trebled, and the defendants are ruined. Is this legal? A bill in equity is pending also to stop the defendants' factory." (6 Pet. 229).

Following this decision, the first Act with respect to reissues was passed by Congress on July 3, 1832 (4 Stat. 559). It provided that, "Wherever any patent * * * shall be invalid or inoperative, by reason that any of the terms or conditions prescribed in the third section of the said first-mentioned Act [of 1793] have not, by inadvertence, accident, or mistake, and without any fraudulent or deceptive intention, been complied with on the part of the said inventor, it shall be lawful for the Secretary of State, upon the surrender to him of such patent, to cause a new patent to be granted * * *."

It is important to note two circumstances relating to patents which prevailed during the early years. First, under the Act of 1793, public use prior to an application for a patent would defeat the application (*Peunock* v. *Dialogue*, 2 Peters, 1). Second, until the Act of 1836 there was no distinction in a patent between the *description*, the purpose of which is to disclose the invention to the public, and the *claim*, which establishes the scope of the patentee's monopoly afforded by the patent. Consequently, the same statements and recitals served both purposes.

It appears, therefore, that at the time of the adoption of the Act of 1832 there was justification in the practical situation for authorizing a reissue because (1) the inventor was under pressure to file his application even if he might not feel that his invention was perfected, and (2) the improvement possible by a reissue affected the description and the claim alike, so that the dedication to the public (which would be a matter of general public interest) would of necessity also complete the protection of the inventor, a matter primarily of private interest.

On the other hand, the Act of 1836, section 6, changed

the provisions as to what the patentee was required to do, and required that he should "deliver a written description of his invention or discovery, and the manner and process of making, constructing, using, and compounding the same, in such full, clear, and exact terms, avoiding unnecessary prolixity, as to enable any person skilled in the art or science to which it appertains, or with which it is most nearly connected, to make, construct, compound, and use the same; * * * *and shall particularly specify and point out the part, improvement, or combination, which he claims as his own invention or discovery.*" (5 Stat. 117.) (Italics ours.)

The Act of 1832 with respect to amendments was repealed. Section 13 of the Act of 1836 provided in lieu thereof (5 Stat. 117):

> "That whenever any patent which has heretofore been granted, or which shall hereafter be granted, shall be inoperative, or invalid, by reason of a defective or insufficient description or specification or by reason of the patentee claiming in his specification as his own invention more than he had or shall have a right to claim as new; if the error has or shall have arisen by inadvertency, accident, or mistake, and without any fraudulent or deceptive intention, it shall be lawful for the Commissioner, upon the surrender to him of such patent, and the payment of the further duty of fifteen dollars, to cause a new patent to be issued to the said inventor, for the same invention, for the residue of the period then unexpired for which the original patent was granted, in accordance with the patentee's corrected description and specification * * *."

Thus, by the year 1836 there were important changes from the situation prevailing when *Grant* v. *Raymond* was decided. The right to the reissue of a patent in the case of an inadvertent failure to comply with the statu-

tory requirements had been established by statute. The patentee, by the change in the patent laws made in 1836, was required to state what he claimed as his invention. It was still the law, however, that public use of an invention prior to application for a patent would defeat the application.

A further very important change in the law was made in 1839. An Act was then passed which provided that no patent should be held to be invalid by reason of use prior to the application for a patent unless such use had been longer than two years (5 Stat. 353). There can be no doubt that this provision, by affording patentees more time to perfect their inventions, should have diminished the incidence of error in patents thereafter issued. The combination of these Acts of 1836 and 1839, requiring the patentee to claim specifically the field of his desired monopoly, and giving him a reasonable time within which to do so, should have gone far to relieve the situation that the reissue statute was designed to remedy.

It was, nevertheless, many years before the interest of an intervening user was given any real recognition. In 1846 such rights were denied in the case of *Stimpson* v. *The Westchester Railroad Company*, 4 How. 380, involving the reissue in 1835 of a patent issued in 1831, the reissue having been made pursuant to the statute of 1832. The trial court had charged the jury that since the defendant had constructed their railroad using the plaintiff's device one year or more before the plaintiff's application for his renewed patent "they may continue its use without liability to the plaintiff." (4 How. 380, at 402.) This court, however, while basing its decision on the clear provisions of the statute of 1832, (which in terms foreclosed the defense of intervening rights), indi-

ated an attitude very adverse to the defense of intervening rights.

Thereafter, and until 1882, the defense of intervening ights was but seldom presented, and whenever it was resented it was unsuccessful (*Battin* v. *Taggert*, 17 low. 74, 84 (U. S. 1854); *Agawam Company* v. *Jordan*, Wall. 583, 609 (1869); *Goodyear* v. *Day*, Fed. Cas. 5566 C. C. D. N. J. 1852).

The early attitude of the courts toward the original nventor was in harmony with the thought of the day. Our patent system had been founded on the "natural ight" theory that the inventor had created something ut of nothing [4] and that, if he chose to permit the pubc to use his discovery on any terms, however onerous, he latter had no reason to complain.[5] It was impossible or the inventor to overcharge the public or otherwise urden it, since he owned his idea and, as such owner, ad the right to do as he pleased with it. This philosphy had played an important part in the inclusion in he constitution of a clause permitting patents.[6]

But a factor, probably more important than any bare hilosophy in fixing the views of the courts from 1787 own to 1882, was the public attitude toward inventions. he age of inventions had begun in America as well as in urope. Franklin's invention of a stove [7] and his experi-

[4] Walker, Patents, § 6.

[5] *Parker* v. *Haworth*, 4 McLean, 372 (1848).

[6] See Madison's statement in the Federalist, and his draft of a clause, oted in Fenning, "The Origin of the Patent and Copyright Clause of e Constitution," 17 Georgetown Law Journal, 109.

[7] In writing of the success of his stove, Franklin, Autobiography (I arvard Classics, 116) wrote:

"Governor Thomas was so pleased with the construction of this stove, as described in it, that he offered to give me a patent for the sole vending of them for a term of years; but I declined it from a principle which has ever weighed with me on such occasions, viz. That, as we enjoy great advantages from the inventions of others,

ments with electricity had early attracted attention. The invention of the cotton gin had stimulated a greatly increased production of cotton. In the expanding republic, public imagination was repeatedly fired by great inventions that would facilitate the rapid development of the country. The steamboat had proved a great success bringing cheap and relatively rapid transportation along the waterways.[8] The advent of the railroads and the successful use of steam as a universal motive power met with great public enthusiasm. Morse then invented his telegraph,[9] and in the same decade the sewing machine, the reaper and a process for vulcanizing rubber were conceived. The inventor, as such, was a public hero. This was reflected by the Congress and the courts, which went to great lengths to guard his interests.

The abuse of the reissue privilege, however, became so extensive that public reaction against it inevitably followed. Reissues were freely availed of to obtain for a patentee the advantage of a monopoly in development of the art, and even of inventions, long subsequent to his invention. By no means the most glaring example of this was found in the patent covering the Morse Recording Telegraph, among which were reissue No. 117,

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we should be glad of an opportunity to serve others by any invention of ours; and this we should do freely and generously.

"An iron monger in London however, assuming a good deal of my pamphlet, and working it up with his own, and making some small changes in the machine, which rather hurt its operation, got a patent for it there, and made, as I was told, a little fortune in it. And this is not the only instance of patents taken out for my inventions by others, tho' not always with the same success, which I never contested, as having no desire of profiting by patents myself, and hating disputes. The use of these fireplaces in very many houses, both of this and the neighboring colonies has been, and is, a great saving of wood to the inhabitants."

[8] See *Gibbons* v. *Ogden*, 9 Wheat. 1, (1824).

[9] One of four; see *O'Reilly* v. *Morse*, 15 How. 62, 107, 108 (1853).

granted June 13, 1848, as a reissue of reissue No. 79, January 15, 1846, which was a reissue of patent No. 1647 granted June 20, 1840 (see *O'Reilly* v. *Morse*, 15 How. 62, 81-86 (1853).

In another case a simple patent with a specification of 450 words and a single claim was reissued three times and ultimately converted into two patents of 8,000 words and 17 claims (4 Journal of the Patent Office Society 574).

Before the Senate Committee on Patents, General Leggett, Commissioner of Patents, made the following statement in 1878:

> "In these reissues more deviltry, if I may be permitted to use the phrase, creeps into the practice of patent law than everything else put together."

Other comments before that Committee were as follows:

> "Reissues are 'sapping the foundation of our patent system.' 'Every gentleman in this room will admit that the reissue of patents has resulted in more evil than any other thing known to the Congressional Acts.' 'Scratch a reissue and you will find a fraud.'" (17 Journal of the Patent Office Society 756.)[10]

In 1879 in the case of *Leggett* v. *Avery*, 101 U. S. 256, 259, commenting on a patent granted on October 9, 1860, surrendered and reissued on June 22, 1869, extended for seven years from October 9, 1874, and again reissued on November 10, 1874, this court said:

> "The pretence that an 'error had arisen by inadvertence, accident, or mistake,' within the meaning of the patent law was too bald for consideration.
>
> " * * *

[10] For further discussion of abuses then current, see 4 Journal of the Patent Office Society, 564, 572, *et seq.*

"The allowance of claims once formally abandoned by the applicant, in order to get his patent through, is the occasion of immense frauds against the public. It not infrequently happens that, after an application has been carefully examined and compared with previous inventions, and after the claims which such an examination renders admissible have been settled with the acquiescence of the applicant, he, or his assignee, when the investigation is forgotten and perhaps new officers have been appointed, comes back to the Patent Office, and, under the pretence of inadvertence and mistake in the first specification, gets inserted into reissued letters all that had been previously rejected. In this manner, without an appeal, he gets the first decision of the office reversed, steals a march on the public, and on those who before opposed his pretensions (if, indeed, the latter have not been silenced by purchase), and procures a valuable monopoly to which he has not the slightest title."

This was the situation immediately prior to two decisions of great importance which mark the year 1882 as a turning point in the development of the law on this question."[11]

III.

Some of the abuses under the reissue statute have been curtailed since 1882, when this court first formulated the doctrine of laches with respect to broadened claims.

In the case of *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350 (1882), a patentee sought to restrain infringement of a patent originally granted in 1860, extended for seven

[11] Of this point it is easy to observe, in retrospect, that "We do not realize how large a part of our law is open to reconsideration upon a slight change of habit of the public mind" (Holmes, The Path of the Law, Collected Papers, p. 181).

years longer, and twice reissued, once in May, 1873 and again in January, 1876. The patent was held invalid. The court, speaking through Mr. Justice Bradley, who had had considerable experience in patent law prior to his elevation to the bench, said that the broadened claim of the last reissue was invalid because it was not for the same invention as the original patent. This, it must be admitted, was a sufficient ground for decision, and the court might well have stopped there.

It did not, however, but said, "There is another grave objection to the validity of the re-issued patent in this case." (page 351.) The court said further:

> "These afterthoughts, developed by the subsequent course of improvement, and intended, by an expansion of claims, to sweep into one net all the appliances necessary to monopolize a profitable manufacture, are obnoxious to grave animadversion. The pretense in this case, that there was an inadvertence and oversight which had escaped the notice of the patentee for fifteen years, is too bald for human credence.
>
> " * * *
>
> "But it must be remembered that the claim of a specific device or combination, and an omission to claim other devices or combinations apparent on the face of the patent, are, in law, a dedication to the public of that which is not claimed. It is a declaration that that which is not claimed is either not the patentee's invention, or if his, he dedicates it to the public. This legal effect of the patent cannot be revoked unless the patentee surrenders it and proves that the specification was framed by real inadvertence, accident or mistake, without any fraudulent or deceptive intention on his part; and this should be done with all due diligence and speed. *Any unnecessary laches or delay in a matter thus apparent on the record, affects the right to alter or*

re-issue the patent for such cause. If two years public enjoyment of an invention with the consent and allowance of the inventor, is evidence of abandonment, and a bar to an application for a patent, a public disclaimer in the patent itself should be construed equally favorable to the public. *Nothing but a clear mistake or inadvertence, and a speedy application for its correction, is admissible when it is sought merely to enlarge the claim.*" (Italics ours.)

The court also said, "The great object of the law of reissues seems to have been to enable a patentee to make the description of his invention more clear, plain, and specific, so as to comply with the requirements of the law in that behalf, * * *." (page 353.)

As already noted, decision in the case of *James* v. *Campbell,* 104 U. S. 356, (1882) was handed down the same day. The court, again speaking through Mr. Justice Bradley said (quoting with approval from *Burr* v. *Duryee,* 1 Wall. 531, 577, (1864)), that the privilege of reissue " 'was not given to the patentee or his assignee in order that the patent may be rendered more elastic or expansive, and, therefore, more "available" for the suppression of all other inventions.' " And the court said that a reissue might be made for the correction of too narrow a claim if speedily applied for 'before adverse rights have accrued'." (page 371.)

Two years later in the case of *Mahn* v. *Harwood,* 112 U. S. 354, (1884), Mr. Justice Bradley had further occasion to discuss the question of broadening claims in a reissue granted in April of 1876 for a patent originally issued May 21, 1872. The following portions of the opinion are particularly pertinent here:

"As before stated, the case is entirely different from that of a reissue by reason of a defective specification or description, or on account of the claim

being too broad. In these cases, the public interest is promoted by the change; whilst a reissue, for the purpose of making a claim more broad and comprehensive, is injurious to the public, since it takes from the public the use of that which it previously enjoyed, and which the original patent acknowledged its right to enjoy. We repeat, then, if a patentee has not claimed as much as he is entitled to claim, he is bound to discover the defect in reasonable time, or he loses all right to a reissue. (p. 362.)

" * * *

"The truth is, as was shown in *Miller* v. *Brass Co.*, that this class of cases, namely, *reissues for the purpose of enlarging and expanding the claim of a patent, was not comprised within the literal terms of the law which created the power to reissue patents.* But since the purpose of the statute undoubtedly was to provide that kind of relief which courts of equity have always given in cases of clear accident and mistake in the drawing up of written instruments, it may fairly be inferred that a mistake in a patent, whereby the claim is made too narrow, is within the equity if not within the words of the statute. Yet no court of equity, considering all the interests involved, would ever grant relief in such a case without due diligence and promptness on the part of the patentee in seeking to have the error corrected. (p. 362.)

" * * *

"As we have already stated, no invariable rule can be laid down as to what is reasonable time within which the patentee should seek for the correction of a claim which he considers too narrow. In *Miller* v. *Brass Co.*, by analogy to the law of public use before an application for a patent, we suggested that a delay of two years in applying for such correction should be construed equally favorable to the public. But this was a mere suggestion by the way and was not intended to lay down any general rule." (p. 363.) (Italics ours.)

After these decisions many reissue patents were invalidated for undue delay. For example see *Matthews* v. *Boston Machine Co.*, 105 U. S. 54 (1882); *Bantz* v. *Frantz*, 105 U. S. 160 (1882); *Wing* v. *Anthony*, 106 U. S. 142 (1882); *White* v. *Dunbar*, 119 U. S. 47 (1886); *Electric Gas Lighting Co.* v. *Boston Electric Co.*, 139 U. S. 481 (1891). Since the decision of *Miller* v. *Bridgeport Brass Co.*, it has been a general rule that a delay for two years or more invalidates a broadened reissue unless that delay is accounted for and excused by special circumstances.

It was, of course, inevitable that the question of delay for less than two years would arise. An early case of this character was *Coon* v. *Wilson*, 113 U. S. 268 (1885), where a reissue was applied for only ninety-seven days after the original patent was granted. The patentee had waited until the defendants produced their device and then applied for such enlarged claims as to embrace this device which was not covered by the claim of the original patent, and it was apparent from a comparison with the original that the application for a reissue was made merely to enlarge its scope. The court held the reissue invalid on the ground that the broadened claims went beyond the scope of the original invention.

Similarly, in *Parker Co.* v. *Yale Clock Co.*, 123 U. S. 87 (1887), the delay was for one year and eight months, but it appeared that the improvements not covered by the original patent had been brought into use by others than the patentee before the reissue was applied for. This reissue was also held invalid on the ground it was not for the same invention.

Many of these cases are commented on in *Topliff* v. *Topliff*, 145 U. S. 156 (1892), where the court said that it would be unjust to deny a patentee the benefit of a re-

issue "provided it is evident that there has been a mistake and he has been guilty of no want of reasonable diligence in discovering it, and no third persons have in the meantime acquired the right to manufacture or sell what he had failed to claim." (p. 172.)

In most of the decisions above discussed in this section the courts set forth more than one ground of decision. The various reissue patents under consideration could frequently have been held invalid for various reasons aside from the question of laches and rights of the public and third parties. But it seems that in the mind of the court those rights were deemed of such importance as to be emphasized as additional grounds of the conclusions urged. There is no better example of this than the case of *Dunham* v. *Dennison,* 154 U. S. 103 (1894), where the court, speaking through Mr. Justice Gray, said at page 110:

> "The patentee thus gave the public to understand that an envelope, the flap of which did not cover its whole length, would not come within his patent, and might rightfully be made by any one. After the defendant had made envelopes with a short flap of semi-circular shape and covering little more than the opening of the envelope, (which, it is admitted, did not infringe the plaintiff's patent as originally issued,) the plaintiff obtained a reissue, enlarging the claims, and altering the specification throughout, so as to include an envelope with a flap of any size or shape, and to make the invention consist, not, as in the leading words of the description in the original patent, of 'an envelope with an end flap covering its side,' but in 'a tag provided with means for attaching it to the merchandise, and with an envelope or pocket to receive a bill or invoice of the merchandise.' The words of the description in the original patent were neither technical nor complicated; but they were of the simplest kind, and their

> meaning and scope could not have been misunderstood by anyone who read them with the slightest attention, least of all by the patentee. To uphold such a reissue under such circumstances would be to grant a new and distinct privilege to the patentee at the expense of innocent parties, and would be inconsistent with the whole course of recent decisions in this court."

There are two additional cases presenting a circumstance similar to those in the case at bar, which should be specially noted.

In *Clements* v. *Odorless Co.*, 109 U. S. 641 (1884), the court, speaking through Mr. Justice Blatchford, said (page 647, 650):

> "In the reissue there are material enlargements of the scope of the invention described and claimed in the original patent, and, apparently, with a studied view to include and cover by descriptive words and by broader claims an apparatus like that used by the defendant * * *. No excuse is given for the delay in applying for the reissue, nor is any actual inadvertence, accident, or mistake shown."

In *Turner & Seymour Mfg. Co.* v. *Dover Stamping Co.*, 111 U. S. 319 (1884), the court said of the reissue there involved (page 326):

> "The original claim has been made broader by the reissue, so as to embrace the device used by the appellants, which was not previously an infringement."

These decisions demonstrate again the equitable nature of the right to a reissue containing broadened claims, and that countervailing equities in behalf of the public or of individual users have been recognized and enforced by this court. It is true that most of the cases during this period are "distinguishable" because there were present in them narrower and more technical

grounds which, without the existence of intervening rights, were sufficient to invalidate the various reissues in question. But the emphasis upon the equities of the public and of individual users is so strong that it must be taken to reflect a change of the attitude towards the inventor that existed in the earlier part of the nineteenth century.

Subsequent decisions have not changed the law but some language in them has been misunderstood. In some part the misunderstanding seems to have been furthered by language in the opinion of this court in *Keller* v. *Adams-Campbell Co.*, 264 U. S. 314 (1924). The source of the difficulty is the case of *Abercrombie & Fitch Co.* v. *Baldwin*, 245 U. S. 198 (1917). In that case suit was instituted on a reissue patent applied for seven years after grant of the original patent. The defendant had commenced manufacturing an infringing device prior to the reissue and in defense to the suit pleaded delay and intervening rights. The court denied both defenses. The court held that the reissue did not broaden the claims of the original patent. This conclusion obviously invalidated both of the asserted defenses, and established that the defendant was at all times an infringer, both before and after grant of the reissue patent.

A then existing peculiarity of the patent statutes, however, required a conclusion which has led to subsequent error. Until the amendment of 1928 the granting of a reissue patent cancelled the original patent so that any cause of action for infringement existing prior to the grant of the reissue was thereby lost. As the district judge had said (quoted with approval in the opinion of this court, in *Abercrombie & Fitch Co.* v. *Baldwin*, 245 U. S. 198, 209):

"* * * In view of the necessities of the situation, it [the defendant] is relieved of all accountability for the period prior to the granting of the reissue patent * * *. *By the reissuance of the patent the patentee loses all in the way of an accounting under the original patent* * * *.

"* * * I see nothing in the course of plaintiffs or defendants which would allow a court of equity to conclude that defendants are to be relieved because of intervening rights." (Italics ours.)

This could mean only that such relief as the defendants had for the period prior to the reissue was not equitable relief at all, but the result of the statutory situation. Intervening rights did not exist. In commenting on this case in the *Keller case,* Chief Justice Taft inadvertently said that "it was held that the intervening rights of immunity of the infringer did not extend beyond the date of the reissue." (264 U. S. 314, 317.) It seems clear that this statement was inadvertent because the *Abercrombie case* specifically denied that the defense of intervening rights was involved.

Another remark in the opinion of the *Keller case* has been misleading: The court below in the present case says that the *Keller case* recognizes that an intervening user "may be protected on principles of estoppel from the literal application of section 4916, Revised Statutes, which makes the operation of the reissue relate to the date of the original patent." (107 Fed. (2d), 318, 329.) We know of no case so holding, and on the contrary, this court has since said, in *Altoona Theatres* v. *American Tri-Ergon Corporation,* 294 U. S. 477, 491 (1935), that a "reissued patent, with respect to the amended claim, speaks from the date of reissue."

It is essential that the misunderstanding that seems to have followed from these cases be corrected. The court below was substantially misled by them to formulate conclusions which are sharply in conflict with the whole trend of the decisions. It is true that the court below recognized that the holding in the *Abercrombie case* was based on the fact that the reissue did not broaden the claims of the original patent, but said, "Still, the reasoning of the court in that case would seem to apply as well to any other valid reissue." (107 Fed. (2d) 318, 329.) This conclusion of the court below seems obviously erroneous. Reasoning appropriate in a situation where there is infringement of the original patent (and, therefore, a wrongful act by the intervening user from the moment his use began), is not applicable to a situation where there is infringement only of the reissue patent, and what the intervening user did up to the date of the reissue was entirely lawful. In the first situation it can hardly be said that there are any equities in favor of the intervening user, while in the second situation it is certain that there are some equities: in most cases it has been found that there are enough equities in the intervening user's favor to invalidate the reissue.

IV.

The almost uniform recognition by the lower courts of the need for protecting intervening users has led to a variety of results and reasoning.

We think it may fairly be said of the cases that we have been considering that in them "are gathered the scattered prophecies of the past upon the cases in which the axe will fall."[12] Carrying on the thought of Holmes'

[12] Holmes, "The Path of the Law," Collected Papers, 167, 168.

passage, our effort should be "to make these prophecies more precise, and to generalize them into a thoroughly connected system." (*id.*)

It has been shown that so far as the decisions of this court are concerned, the interests of the intervening user have been protected by the doctrine of laches, and by application of many other grounds of invalidation, with such repeated references in the decisions to the "rights" of the intervening user as to indicate that they were recognized and a matter of concern to this court. A study of these cases lends support to the conclusion of Judge Learned Hand in *Otis Elevator Co.* v. *Atlantic Elevator Co.*, 47 Fed. (2d) 549, that "intervening rights are only another aspect of the policy which makes laches alone enough." [13]

So far as we are aware, this court has since 1882 invalidated every broadened reissue patent that has come before it, where the invention covered by the broadened claims had gone into use after the patent issued and before the application for reissue. It can hardly be said that this has not accomplished an effective establishment of "intervening rights"; but the grounds of decision have left open the question of how far the private interests of the intervening user or users, as distinguished from the interests of the public generally, should serve as the actual basis for the finding of laches or other grounds resulting in the invalidating of the broadened reissue. Nowhere has this court yet said in so many words that a reissue applied for within two

[13] Some interesting discussions of the decisions of the lower courts and of the question of intervening rights, are found in: Rice and Grossman, "Reissued Patents and Intervening Rights," 43 Yale Law Journal 766 (1934); Montgomery, "Reissued Patents," 8 So. Cal. Law Rev. 288 (1935); Blore, "The Defense of Intervening Rights," 1 Geo. Washington Law Rev. 387 (1932); Brown, "Intervening Rights in Reissue Patent Cases," 15 Journal of the Patent Office Society 333 (1933).

years, otherwise valid, would be invalidated because of a private intervening right, or, at the least, unenforceable against the holder of that right.

Perhaps on this acount the lower Federal courts have endeavored to formulate various other doctrines to do essential justice to intervening users where the delay was less than two years. Many take the form of a personal estoppel which results in practical effect in a free license to the intervening user without invalidation of the reissue patent. Few of the courts, however, insist that all of the elements of true estoppel be present; rather the term seems to furnish a convenient reason for doing what the court believes should be done. Some of the courts grant the intervenor a permanent license; others indicate he may salvage only the devices he has manufactured. In one circuit, however, the court of appeals has based its decisions on laches. Some analyses of these decisions is now pertinent.

Until its decision in the case at bar the ninth circuit was considered one in which an intervening right, based upon personal estoppel, would prevent the holder of a reissue patent from terminating the intervening use. As noted by Judge Haney in his dissenting opinion, the court of appeals for that circuit had so held in the case of *Keller* v. *Adams-Campbell Co.*, 287 Fed. 838, 841 (1923). The effect of this decision was not to invalidate the reissue but to grant an irrevocable license to the intervening user. In a case decided the following year (*Supreme Mfg. Corporation* v. *Security Mfg. Co.*, 299 Fed. 65 (1924)), the same court reaffirmed, without actual adjudication, the doctrine of intervening rights.

The position of the eighth circuit is represented by its decision in *Wichita Visible Gasoline Pump Co.* v. *Clear Vision Pump Co.*, 19 Fed. (2d) 435 (1927). In that

case the patentee applied February 8, 1921 for reissue of a patent originally granted May 20, 1919. In the meantime, in September of 1920, the defendant had built a pump which did not infringe the original patent but did infringe the reissue, which, as noted, was applied for twenty months after the original grant. On these facts the court said (page 438):

> "It was not until appellee discovered appellants' device that it took any steps to make its patent cover appellants' structure. It called in its patent attorney, who did not venture a suit upon the original patent, although now claiming that a cause of action existed, and that the reissue was procured only out of abundance of caution and as against other infringers. Meantime appellants had developed a plan and a business, relying upon the limitations of the Crouse invention as it was disclosed. We think upon the face of the record, at least as affecting these appellants, the reissue was not applied for within a reasonable time, nor upon a legitimate ground. Its object was to stifle competition from this source. For this reason we think appellants' device does not infringe the claims of the reissue patent."

In the case just mentioned, the circuit court of appeals for the eighth circuit apparently granted the defendant an irrevocable license to continue to manufacture the accused machinery. In another case decided only a few weeks before, *Bull Dog Floor Clip Co.* v. *Munson Mfg. Co.*, 19 Fed. (2d) 43 (1927), personal estoppel in favor of the intervening user was found. The relief granted the intervening user was confined to disposing of the clips remaining on hand before the reissue, on the theory that that was the only relief the equities of the case required.

In the seventh circuit, in the case of *American Soda*

Fountain Co. v. *Zwietusch,* (75 Fed. 573 (C. C. E. D. Wis. 1896) affirmed (without opinion) 85 Fed. 968 (C. C. A. 7th)), the doctrine of intervening rights was discussed in connection with a reissue applied for within nine and a third months:

> "Several months prior to the application for this reissue, the defendant had not only perfected his apparatus and applied for his patent, but had placed the goods so made upon the market, and had obtained extensive sales and popularity; * * *." (75 Fed. 578.)

In the sixth circuit is found a leading case standing on the doctrine of intervening rights based upon personal estoppel (*Ashland Firebrick Co.* v. *General Refractories Co.,* 27 Fed. (2d) 744 (1928); pet. cert. dis. on petitioner's motion, 278 U. S. 662). In that case, after issuance of a patent to the plaintiff's assignor for a brick machine, the defendant, on advice of counsel that what he proposed to do would not infringe the patent, constructed two machines for making brick, and put them into operation. This was done during the 365 days between the grant of the original patent, July 3, 1923, and the application for the reissue, July 2, 1924 (See 15 Fed. (2d) 215). The court refused to grant plaintiff any relief against the alleged infringement of the reissue.

Because of the importance of the case, we quote (page 746):

> "The right to a reissue is exceptional, and is possessed only by those who can come within the exceptions. It must affirmatively appear, not only that the state of the art permitted a broader claim, but that the failure to get it was the result of inadvertence. There being no presumption that a patent can be reissued, and the special cases where it

may be done being relatively few, it does not seem that the public, acting on the faith of things as they are, should carry the burden of a change it has no reason to expect. A competitor, observing that the patent is limited to specific features which he does not care to use, may naturally assume that the limitation was either intentional, or necessary, or both.

"In approving and adopting the theory of estoppel to support a private intervening right in the nature of a license as against a generally valid reissue, we do not overlook the difficulty which sometimes exists in finding all the elements of a conventional estoppel."

In the later case of *H. W. Roos* v. *McMillan,* 64 Fed. (2d) 568 (1933), the court of appeals for the sixth circuit, although failing to find intervening rights, invalidated a reissue patent because of the patentee's laches in applying for it. The application for reissue had been filed well within the two years after the grant of the original patent, but not until six months after the patentee had seen a clamp that suggested a possible deficiency in the scope of the claims of his original patent. The court said that in view of the simplicity of the patented device an inspection of the original patent at any time after its issuance (and before seeing the other clamp) should have disclosed the mistake or deficiency in the claims. In concluding that the delay was unreasonable under such circumstances, the court said:

"In this view of the patentee's rights, we are content to hold, until the Supreme Court has held otherwise, that a reissue patent may be held to be invalid because of unreasonable delay in filing the application therefor, notwithstanding the absence of a showing of intervening private rights and even though the application was filed within two years from the date of the original issue." (p. 570.)

No square adjudication upon the question of intervening rights is found in the fifth circuit, but the probable recognition of intervening rights is indicated by the Court of Appeals for that circuit in *Standard Brick Co.* v. *Denison Corporation,* 285 Fed. 108, 110 (1922), citing with approval *American Automotoneer Co.* v. *Porter,* 232 Fed. 456.

Two decisions in the court of appeals for the fourth circuit are supposed to classify that as a jurisdiction in which intervening rights are not recognized (*Crown Cork & Seal Co.* v. *Aluminum Stopper Co:,* 108 Fed. 845 (1901), and *A. D. Howe Machinery Co.* v. *Coffield Motor Washer Co.,* 197 Fed. 541 (1912)). On the particular facts in those cases the decisions appear to be clearly sound. There were no equities in favor of the intervening users who, in each case, acquired original knowledge of the patented article when in the employ of the patentee (or his assignee), and deliberately attempted to appropriate the invention. The following quotation from the opinion in the *Howe case* indicates that the court did not intend to eliminate the defense of intervening rights (197 Fed. 541, 545):

> "The added claim of the reissued patent would have been in place in the original. The description of the invention there given was quite broad enough to have supported it. *Unless intervening rights which we are bound to consider arise between the grant of the original patent and the application for reissue,* there is no reason why the latter should not be held good." (Italics ours.)

Square adjudications are not found in either the third or first circuits, but the opinions in each of the following cases indicates probable alignment with other circuits giving protection to intervening users: *Horn & Brannen Mfg. Co.* v. *Pelzer,* 91 Fed. 665, 669 (1898) (C. C. A. 3),

and *Rancourt* v. *Panco Rubber Co.*, 67 Fed. (2d) 790, 792 (1933) (C. C. A. 1),

In the second circuit a leading case is *Autopiano Co.* v. *American Player Action Co.*, 222 Fed. 276 (1915). The situation there presented was unusual in that six years after grant of the original patent a reissue was applied for and granted containing much narrower claims than the original patent. Four months later application was made for a second reissue for the purpose of reestablishing the broad claims of the original patent. Pursuant to this second application a second reissue was granted. The defendant's device infringed the broad claims of the original patent and the second reissue but not the narrow claims of the first reissue.

Defendant sold one device while the application for the first reissue was pending, and a second during the four months' period between the grant of the first reissue and the application for the second reissue. The court treated the case as one in which the original patent had issued with the narrow claims of the first reissue, and had been broadened by the second reissue, and as though the second reissue had been applied for within four months of the date of the original patent. The court held that since the defendant had started its use within the four-month period between the date of the first reissue and the application for the second reissue, the defendant had intervening rights, saying (p. 282):

> "We therefore reach the conclusion that complainant is estopped from claiming infringement by this particular defendant *in continuing the manufacture* and sale which it entered upon while the first reissue was the only public announcement of complainant's alleged monopoly." (Italics ours.)

V.

This court should establish a simple rule, consistent with present conditions, for the protection of intervening rights where the broadened reissue is applied for within two years.

The equitable principles first enunciated in *Miller* v. *Bridgeport Brass Co., supra,* were three:[14] (1) the right to broaden the claims of an original patent is purely an equitable right; (2) it is available only to the diligent; and (3) it must be sought before adverse rights have accrued. The many decisions and changes since that case was decided nearly sixty years ago have so obscured it that clarification and application in harmony with conditions as they exist today is urgently needed. The uncertainties of the law at the present time demand promulgation of a simple rule that may be easily applied by the lower courts in dealing with the question of intervening rights—a rule that will establish uniformity and will permit such courts to do essential justice without straining for reasons to justify their action. The criterion of such a rule is the public interest. (See *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 502 (1917); *Pennock* v. *Dialogue*, 2 Peters 1 (1829); *Kendall* v. *Winsor*, 21 How. 322 (1859).)

Several possible rules immediately suggest themselves for consideration:

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[14] We incorporate in this summary not only what this court said in *Miller* v. *Bridgeport Brass Co.*, but the further development of the doctrine found in the contemporaneous case of *James* v. *Campbell*, 104 U. S. 356, and in *Mahn* v. *Harwood*, 112 U. S. 364, decided two years later. Pursuant to the principle announced in these decisions, and by analogy to the two-year period established by the statute as the maximum for public use before application for an original patent would be barred, the court suggested two years as a presumptive period, after which an application for a broadened reissue would be barred.

(1) This court could merely approve the principle of personal estoppel applied by some of the lower courts which have held that the intervening user, upon a proper showing, shall have a free license to continue to use or manufacture notwithstanding the reissue. The applied principle of equitable estoppel is clearly apt. As concisely stated in *Casey* v. *Galli*, 94 U. S. 673, 680 (1876), "Parties must take the consequences of the position they assume. They are estopped to deny the reality of the state of things which they have made appear to exist, and upon which others have been led to rely."

While this rule would be helpful, it is doubtful that it would be adequate for all situations. In most cases it is difficult to establish the elements of a real estoppel [15] and the burden of proof thus put on the intervening user is unduly great. Actual knowledge of the original patent may not even exist, yet there is no sound reason to deny relief to the intervening user who proceeded without actual knowledge.[16]

From the standpoint of the public, intervening rights based on personal estoppel leave much to be desired. There appears to be little doubt that the threat of a reissue is a constant deterrent to the building up of

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[15] *Ashland Firebrick Co.* v. *General Refractories Co.*, 27 Fed. (2d) 744, 746; *Otis Elevator Co.* v. *Atlantic Elevator Co.*, 47 Fed. (2d) 545, 549.

[16] In two fairly recent decisions in the District Court (N. Y.) intervening rights were protected although the intervening user commenced his use without actual knowledge of the original patent (*Christman* v. *N. Y. Air Brake Co.*, 1 Fed. Supp. 211, 212 (1928); *Moto Meter Guage & Equipment Co.* v. *E. A. Laboratories*, 55 Fed. (2d) 936, 940 (1932). In the analogous situation, where broadened amendments are proposed during pendency of the original application in the patent office, intervening rights have been protected, although there is no possibility of knowledge of this secret proceeding. (*Webster Electric Co.* v. *Splitdorf Electric Co.*, 264 U. S. 463, 465-6.)

business involving the manufacture of new devices, except by companies with sufficient resources to risk a loss due to a reissued patent.

As regards the *use* of machines of this character, the purchaser ordinarily would have no method of establishing a basis for an actual personal estoppel except by hiring a patent attorney to examine the files in the patent office. This would be expensive and in many cases would be entirely disproportionate to the value of the device. The only other method of protection would be to secure an indemnity from the manufacturer. The value of such an indemnity would be no more than the worth of the one who gave it. This would tend to restrict the ability of new enterprises with limited capital to market their product.[17]

(2) This court could approve of the application of the equitable doctrine of laches where enough facts can be proved to justify such a finding without the aid of any presumption arising from failure to apply for a reissue within a given period. This was the effect of the holding in *H. W. Roos Mfg. Co.* v. *McMillan,* 64 Fed. (2d) 568. Such approval would correct the apparent belief of the court below and other courts that the principles enunci-

[17] The economic evils of the reissue statute in the light of its lack of utility under present-day conditions have led many writers to advocate its repeal. See Rice and Grossman "Reissued Patents and Intervening Rights," 43 Yale Law Journal, 766, 790; Willis Constitutional Law, page 421; Fenning, 15 Journal of the Patent Office Society, 886 (1933); Berle and DeCamp recommend drastic limitations in "Inventions and their Management" (1937), 660. The Science Advisory Board's Committee on Relation of Patent System to New Industries' report to the Secretary of Commerce in 1935, said, in speaking of reissues, disclaimers and renewals: "These matters appear to be in the nature of unnecessary complications, which confer a proper benefit in relatively rare instances but the continuance of which in their present forms causes more confusion and cost to the public than is warranted by the results." (Reprinted in Hearings before Temporary National Economic Committee, First Session, Part III, page 1146 (January, 1939).)

ated in *Miller* v. *Bridgeport Brass Co.* are limited to cases where the application for a reissue is made after two years. It would be helpful in some cases, but it would not remove the deterrent to new enterprises resulting from the ever-present uncertainty whether an intervening user can make the proof necessary to establish this defense.

(3) In the case of *Miller* v. *Bridgeport Brass Co.*, the court held that the applicant for reissue would be presumed to be guilty of laches if his application were made more than two years after the original issue, unless he could show good reasons for the delay. This was based on the analogy of the statute which required an application for the original patent to be made within two years after the first public use of the machine, or process, the theory being that if such an application were not made within that time the inventor would be deemed to have dedicated his ideas to the public.

Since the decision in the case just mentioned in 1882, the need for protecting the inventor against mistakes has decreased. The laboratories of the large companies have to a considerable extent supplanted the individual inventor in developing devices and ideas that can be patented,[18] and it may be assumed that the likelihood of mistakes which the reissue sections of the statute was intended to remedy are less likely to occur now than a half century ago. The acquisition of patents of individual inventors by established companies within a relatively short time after the patent is issued [18] would also

[18] See Perazich and Field, in "Industrial Research and Changing Technology" (1939). They show (p. 63) an increase in the number of corporations reporting to the National Research Council from 297 in 1920 to 1,769 in 1938. 1722 of them had 44,292 employes. They also point out the extent to which powerful companies acquire control of patents from outside sources. See also F. W. Vaughan, "Economics of our Patent System" (1925), p. 73, *et seq.*; also "Government and Economic Life," Pub. 79 of the Brookings Institute, Vol. I, p. 151 (1939).

decrease the need for a long period in which to correct errors, because the acquiring company would undoubtedly examine carefully and expertly the patent papers at the time of the transaction.

The theory upon which the patent monopoly is based has also changed with the growing complexities of modern civilization. The inventive process is seen to be but a phase of social evolution: Each invention is but a step built upon the progress of the past and to the current demands of social forces.[19] The state of the pertinent art develops to a point where the invention is inevitable, and frequently many times found.[20] To the extent that society contributes to the invention the justification for the protection of the inventor against his mistakes at the expense of the public has lessened.[21]

Congress, in harmony with the economic changes, has by statute shortened to one year the period in which an inventor must apply for his patent after public use or publication (53 Stat. 1212; 35 U. S. C. A. 31). It would, therefore, appear logical that the rule promulgated in the case of *Miller* v. *Brass Company,* which was based on the analogy of the statute, should at least be made to accord with the statute as it exists today, namely, that the patentee who applies for reissue to assert

[19] Wm. F. Ogburn, "Social Change," (1917), pp. 84, 86; Waldemar Kaempffert, "Invention and Society" (1930), p. 17; Morris Holland, "Research Science and Invention," in A Century of Industrial Progress, ed. by F. W. Wile (1928), pp. 312-34; S. C. Gilfillan, "Sociology of Invention" (1935), p. 74; Charles A. Beard and Mary R. Beard, "America in Mid-Passage" (1939), ch. 15, pp. 822, 826. Earlier observation of this phenomenon is found in Philarette Chasles, "Etudes sur les premieres temps du Christianisme et sur le Moyen Age" (1847), p. 33, our tr.; John Coryton, Patents (London, 1855), Amer. Ed. Phila. (1855), (16) (17).

[20] Rossman, "The Psychology of the Inventor" (1931) p. 132, refers to an interference proceeding involving fifty individuals claiming the same invention.

[21] See Rice and Grossman, "Reissued Patents and Intervening Rights," 43 Yale Law Journal, 766, 793.

broadened claims more than a year after the grant of his original patent will be deemed to be guilty of laches, unless he can convince the court to the contrary. It is true that this amendment does not become effective until August 5, 1940, but it constitutes a belated legislative recognition of changed conditions requiring a shorter period.

This would be a salutary rule which would do much to eliminate the injustice and confusion that exists today, but it would not entirely solve the problem. The lower courts would still be confronted with cases involving intervening rights where use or manufacture began or continued within the year between grant of the original patent and of the reissue.

(4) The rule which would best serve the public interest is that an applicant for broadened claims by reissue should be deemed guilty of laches, if prior to such application, use or manufacture has begun of what he failed to claim in his original patent.

The adoption of such a rule is supported by sound reasoning. The patentee has presented his invention to the public, and in so doing he is fully chargeable with knowledge that he has dedicated everything not expressly covered by his claims. His duty is to point out and distinctly claim that which he would reserve to himself. (Rev. Stat. § 4888; 35 U. S. C. 33.) It is consistent in every way that that dedication should be considered in relation to a reissue. For the patentee is also conclusively charged with knowledge that he must be diligent if he would recapture anything so dedicated. It is only just that the patentee's negligence in failing to claim his invention fully should become fatal just as soon as others more diligent than he have occupied the field he later seeks to dominate by the broadened claims of his reissue.

He has made a dedication to the public of unclaimed parts of his invention. This can only mean that each and every member of the public is at liberty to use what has been dedicated. The patentee should not be permitted to snare the public, or any members thereof, into enterprises that can result only in loss if he is permitted later to dominate such enterprise.

Such a rule would clarify the application of the equitable principles of *Miller* v. *Bridgeport Brass Company* and bring them into proper relation to current conditions. It would establish uniformity and order in the decisions of the lower courts. It would render safe the establishment of new industries and remove the constant threat of their being put out of business by an unforeseen reissue. It would be a rule easy of application, a fact which would do much to prevent expensive litigation over reissued patents.[22] It would strike a proper balance between the public interest in the conflict between the belated claim of an inventor to be rewarded for his contribution to development of the art in a given field and the claim of an individual member of the public who independently and carefully has put that development into practice.

The desirability and justification of the rule which we are here urging the court to adopt was cogently stated by Judge Learned Hand in *Otis Elevator Co.* v. *Atlantic Elevator Co.*, 47 Fed. (2d) 545. The fact that he was speaking of a reissued patent applied for several years after the original issue does not detract from the soundness of his statements as applied to the question here being considered. In that case there had been experimental work done during the period before the applica-

[22] As to a discussion of the social evils of patent litigation, see Vaughan, "Economics of Our Patent System" (1925), pp. 71, 72.

tion for reissue, by others than the defendant company. Judge Hand said:

"We should not ignore them, because they were not used; the analogy of a prior use as anticipation is not apt. The question, on any view, is of the conflicting interests involved; the patentee's, to extend his monopoly; the public's, to be protected in vested rights acquired meanwhile. Earlier experiments, involving large expense, and being the first steps in a continuous development which ends in a completed apparatus, are fairly to be taken as vested interests. Unless we are to admit nothing except what the infringer himself may do, the case is one for the doctrine of intervening rights. The art by successive steps had already occupied the area comprehended by the expansion of the re-issued claims.

"However, all this had been done by others, whom the plaintiff did not single out for attack, and, if intervening rights are relevant only on the score of a personal estoppel, these earlier efforts must be disregarded so far as concerns the Atlantic Elevator Company, whose two installations alone the plaintiff asks to enjoin. There are some expressions in the books, though no decisions, that it is only the intervening interests of the infringer at bar which counts, and that the general progress of the art is irrelevant (*Autopiano Co.* v *American Co.*, 222 F. 276, 282 (C. C. A. 2); *Ashland, etc. Co.* v. *General Refractories Co.*, 27 F. (2d) 744 (C. C. A. 6); although there is a dictum to the contrary in *Milloy Electric Co.* v. *Thompson-Houston Electric Co.*, 148 F. 843, 847 (C. C. A. 6). Since *Keller* v. *Adams Co.* 264 U. S. 314, 44 S. Ct. 356, 68 L. Ed. 705, the question must at any rate be considered as still open. Nevertheless, it is very difficult in most cases to make out the elements of any real estoppel on which such a theory must stand, or to accept it without considerable revision of the way in which the matter has been treated hitherto. The argument.

goes that the patentee, by the abondonment of so much of his invention as he does not claim, may have led others to act upon the faith of his declaration. It follows that, although it is too late for him to retract as to those who have in fact so acted, he may do so as to such as have not. The logic cannot be denied, but its consequences carry one further afield than has hitherto been recognized. In the first place, the critical date should certainly be that of the re-issue itself, not of the application, since the application is not published. Yet the date of re-issue has never been thought material. Again, it ought to be a good reply, even when the infringer has himself occupied the zone of the expansion, to show that he did so in ignorance of the patent, on the faith of whose narrow claims he could not in that event have relied. While at times courts have emphasized the fact that the infringer had in fact so relied (*Keller* v. *Adams-Campbell Co.*, 287 F. 838 [C. C. A. 9]), in general that circumstance has been ignored. Moreover, estoppel can certainly have no application to the expansion of claims during the original application, and yet the doctrine of intervening rights is also applied to substantial amendments in that. *Webster Electric Co.* v. *Splitdorf Electric Co.*, 264 U. S. 463, 44 S. Ct. 342, 68 L. Ed. 792.

" * * *

"The policy of the law is that the mere lapse of time forfeits the patent. This is not a punitive measure; it is because the public has had this period in which to adopt the invention, and should not be cut off by one who has let the art develop. *While the analogy is not complete, because two years is not an absolute bar to the reissue even of broadened claims, in so far as the doctrine of intervening rights is relevant at all, it appears to us to be rather the positive confirmation of an inference which delay alone might justify; proof is better than presumption, and demonstration than con-*

jecture. The evil anticipated is shown to have actually occurred. So viewed, intervening rights are only another aspect of the policy which makes laches alone enough, and it is not legitimate to turn it into an independent ground of denial. So it does not seem proper to limit it to those cases in which a personal estoppel can be proved; not only, as we have said, because this would involve a radical recasting of the law, if it is to be consistent; but because it is not agreeable to its origin. So far as we can find, no court has yet actually held that a reissue may be good at large, but bad as to one who has acquired vested rights after the original issue." (pp. 548-550; italics ours).

If any fiction of estoppel is deemed necessary to justify the rule which we are discussing it may be supplied by the rule of law that everyone is presumed to know of a patentee's claims. This should apply equally to the limitations of the claims as well as to their extent.

We therefore respectfully suggest that the rule that this court should lay down is that any patentee should be barred from broadening the claims of his patent where intervening users have occupied the field sought to be covered by the reissued patent.

(5) If, however, this court should for any reason feel that it should not construe the act of congress in the light of equitable principles, but should apply the statute literally, it is suggested that it must overrule the early decisions wherein solely by construction it extended the act to apply to instances where broadened claims were asserted, and hold that all reissues which include broadened claims are unauthorized.

VI.

In the case at bar any theory which supports the defense of intervening rights requires a reversal of the decree of the court below.

The application of any of the rules discussed in the preceding section of this brief would require a reversal of the decree of the court below.

(1) As to personal estoppel:

The record shows without contradiction that some little time after discovery of petitioner's use of the accused machine, respondent notified petitioner that the machine was an infringement of respondent's patent (R. 71). The notice demanded petitioner's acquiescence in the rights asserted, and an accounting, within ten days. On petitioner's failure to reply, respondent on the eleventh day filed suit (R. 2, 10).

Petitioner continued to use the accused machine (R. 80) and filed an answer denying infringement (R. 11). Thus petitioner's position was completely changed by respondent's affirmative acts. Having knowledge of respondent's patent, petitioner concluded that the machine it was using was not embraced within the claims thereof. Petitioner concluded, and rightly, that it could continue to use the machine without liability to respondent. Respondent ultimately admitted that there was no infringement of the original patent (R. 86).

For months after its initial step in notifying petitioner of the alleged infringement of its original patent, respondent by pressing its suit led petitioner to believe that it was relying solely upon the claims of that patent. Even after the application for reissue had been tardily filed on January 15, 1936, respondent by insisting on

further answers to its interrogatories led petitioner to believe that it was still relying upon the claims of the original patent. These further answers were filed May 16, 1936 (R. 80).

The court below found as its ultimate conclusion on the question of intervening rights that "In the instant case there was admittedly no knowledge of or reliance on the scope of plaintiff's patent and no facts creating an estoppel." (R. 310.)

This can only be regarded as a conclusion of law. As a statement of fact it is obviously erroneous. It is equally unconvincing as a conclusion of law. An insubstantial foundation—and the only foundation for it in the record—is the fact that petitioner did not know of respondent's patent claims when petitioner *commenced* to use the accused machine. But estoppel could and did arise when respondent advised petitioner and led petitioner to believe, for over three months before filing an application for reissue, and thereafter, that the narrow claims of the original patent were all respondent relied on.

The court below does not point out, nor does there seem to exist, any sound basis for a distinction between the circumstance that use of a machine *is begun* in reliance upon the narrow claims of a patent, and the slightly different circumstance that such use, having been begun without such knowledge, *is continued* in reliance on the narrow claims for an extended period before application for reissue is made.

In *Keller* v. *Adams-Campbell Co.*, 287 Fed. 838, the court said that "prior to any knowledge on their part of the Keller patent, the appellees had been working on their device, and had made and sold a few of them, but subsequently learned of and became familiar with the original Keller patent * * *." (p. 841.) The court's con-

clusion was "We therefore think it clear that the appellees had and have such intervening rights as were properly protected by the court below." (p. 841.)

(2) The facts in this case show that, quite aside from any presumption in favor thereof, respondent was guilty of laches.

Application for the reissue patent was not filed until twenty months after the grant of the original patent and ten months after petitioner commenced to use the accused machine (R. 79, 338). Respondent waited more than three months before applying for a reissue after it learned of petitioner's machine during which time it had the benefit of counsel who were pressing its claims (R. 106).

The development of the art prior to the issuance on May 15, 1934 of respondent's original patent was such as to put respondent on notice that the claims of his original patent were insufficient. In 1932 at least 100 machines manufactured under the Kelly patent had been put in commercial use in chain stores such as Woolworth's and Kresge's (R. 161). The Kelly patent, issued January 30, 1934, would have defeated the broadened claims of respondent's reissue except for the priority of respondent's invention (by about three months) successfully asserted in the Patent Office by an affidavit under Patent Office Rule 75 (Pltf's Ex. 4, R. 101). Not only were such machines in use in 1932, but during the year 1933 the Susu Nut Company (manufacturer of the machine used by petitioner) put machines of the accused type on the market (R. 131).

It thus appears that prior to the grant of respondent's original patent there were two machines in general use in the field in which respondent's interest lies that are described by the broadened claims of the reissued pat-

ent. Indeed, the Kelly patent, covering one of these machines, was actually issued before respondent's patent issued. It has been noted that persons interested in manufacturing a certain device generally have a pretty fair understanding of the state of the art in the field—an understanding based partly upon familiarity with other devices, but chiefly upon the problems which are being discussed and written about, the improvements for which manufacturers cry, and the general literature on the subject.[24]

It is not difficult to assume that respondent knew of both of these machines, which were in general commercial use before respondent's original patent issued. Such knowledge would have indicated the defects of respondent's patent or of the claims thereof, possibly before it was issued and certainly after it was issued, if respondent had taken the trouble to look at it when respondent received it from the Patent Office.

Respondent did not see fit to look at the original patent when it was received. He did not so much as look at it, until November of 1935, until that time resting secure "in the belief of adequate protection covering his invention and in his confidence in his attorney." (Reissue Oath, App. B, p. 59; Pltf's Ex. 4, R. 101.) Negligence of this kind has been repeatedly condemned. "The excuse proffered is simply an attempt to shift the responsibility of the mistake; as originally made, from the patentee to his solicitor, but no excuse is offered why the patentee did not discover the negligence and error of his solicitor in due time." (*Ives* v. *Sargent*, 119 U. S. 652, 662.)

In *Arnheim* v. *Finster*, 26 F. 277, 279, 280 (C. C. N. Y.

[24] See Rice & Grossman, "Reissued Patents and Intervening Rights," 43 Yale Law Journal, 766, 787.

1886), the delay in applying for a reissue was twenty-one months—one month longer than in the case at bar. In that case the patentee sought to avoid the consequences of his solicitor's acquiescence in a ruling of the Patent Office by saying it was unknown to him. In reply the court said:

> "But it is urged that the inventor did not acquiesce. He knew nothing of the rejection, for the reason that he never examined the letters patent from the time he received them until the spring of 1877. This will not do. The law will not permit a party to relieve himself from the charge of negligence by asserting that he closed his eyes and ears at the time when he was required to keep his faculties awake. The inquiry is, not what the inventor knew, but what he ought to have known,—what he could have ascertained by the exercise of ordinary care and diligence. To hold otherwise would be to place a premium upon carelessness, stupidity, and fraud. There is nothing intricate or ambiguous about this patent."

The District Court found respondent guilty of laches (R. 94). Certainly this record supports the finding. Respondent's application for reissue was nearly four years after commercial use of one infringing machine, well over two years after the commencement of general commercial use of machines of the type used by petitioner, and over nine months after petitioner commenced to use its machine. The development of the art, as evidenced by these two types of machines, was no consequence of any spur resulting on publication of respondent's patent, but, on the contrary, resulted from independent efforts preceding that publication. These circumstances are anything but persuasive as to the merit of the invention, as to the existence of any real inadvertence, and, most of all, as to respondent's diligence.

The conclusions of the court below avoid rather than repudiate the District Court's finding of laches. It is obvious that if there is an *absolute right* to a reissue with broadened claims if applied for any time within two years of the original grant (and the court below so concluded), there is no room for consideration of laches within that period. In this position the court below is without support in the decisions. There is nothing in the opinion below to indicate disagreement with the conclusion of the District Court on the question of laches, if it had been thought that the question was open for consideration.

Nor do we mean to imply that the court below completely overlooked the Kelly patent. It considered it, but only for the purpose of determining the question of priority of invention as between it and the patent in suit. That question was decided in favor of respondent. But the court gave no consideration to the bearing upon the question of laches of the development of the art prior to issuance of respondent's patent evidenced by the Kelly machines and also by those of the Susu Nut Company. Yet, the existence of these uses for a considerable period prior to the issuance of respondent's patent accentuates the degree of respondent's negligence.

In view of such uses the simplicity of the invention and the patent and the intervening use of petitioner, it is clear that respondent's laches should invalidate the broadened claims of the reissue patent.

(3) If a presumption of laches where the application for reissue is not filed within one year is established as a rule by this court (by analogy to the present statute with respect to original patents) the decree of the court below should be reversed since the application for reissue in the present case was not made until twenty months

after the original issue. The facts heretofore set out in the preceding discussion show clearly that respondent could not overcome this presumption.

(4) The application of the rule which we have urged this court to adopt, *i.e.*, that a patentee should be barred from broadening his claim where intervening users have occupied the field, would automatically result in a reversal of the decree of the lower court, because respondent's use of the accused machine began before the application for reissue was made.

CONCLUSION.

For the reasons heretofore stated the decree of the Circuit Court of Appeals for the Ninth Circuit should be reversed.

Respectfully submitted,

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APPENDIX A.

Section 4916, Rev. Stat. as amended May 24, 1928, chapter 730, 45 Stat. 732, reads as follows:

"Whenever any patent is wholly or partly inoperative or invalid, by reason of a defective or insufficient specification, or by reason of the patentee claiming as his own invention or discovery more than he had a right to claim as new, if the error has arisen by inadvertence, accident, or mistake, and without any fraudulent or deceptive intention, the commissioner shall, on the surrender of such patent and the payment of the duty required by law, cause a patent for the same invention, and in accordance with the corrected specification, to be reissued to the patentee or to his assigns or legal representatives, for the unexpired part of the term of the original patent. Such surrender shall take effect upon the issue of the reissued patent, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent to the extent that its claims are identical with the original patent shall constitute a continuation thereof and have effect continuously from the date of the original patent. The commissioner may, in his discretion, cause several patents to be issued for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for reissue for each of such reissued letters patent. The specifications and claims in every such case shall be subject to revision and restriction in the same manner as original applications are. Every patent so reissued, together with the corrected specifications, shall have the same effect and operation in law, on the trial of all actions for causes thereafter arising, as if the same had been originally filed in such corrected form; but no new matter shall be introduced

into the specification, nor in the case of a machine patent shall the model or drawings be amended, except each by the other; but when there is neither model nor drawing, amendments may be made upon proof satisfactory to the commissioner that such new matter or amendment was a part of the original invention, and was omitted from the specification by inadvertence, accident, or mistake, as aforesaid."

APPENDIX B.

Oath.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

MICHAEL J. KOHLER, the above named petitioner, being first duly sworn, deposes and says that he does verily believe himself to be the original, first and sole inventor of the improvement set forth and claimed in the foregoing specification and for which improvement he solicits a patent; that deponent does not know and does not believe that said improvement was ever before known or used; that deponent is a citizen of the United States of America, formerly residing in the City of Oakland, County of Alameda, State of California, and now resides in New York, in the County of New York, and State of New York; that deponent verily believes that the letters patent referred to in the foregoing petition and specification, and herewith surrendered, are inoperative for the reason that the specification thereof is insufficient, and that such insufficiency consists in the inclusion in the specification of erroneous, inappropriate, and confusing terminology; and the failure to include in the specification a proper and appropriate description of the invention in its broader aspects, and in the unnecessary limitation of the description and claims to specific details of construction which are not essential to the practice of the invention, and particularly in the failure to adequately claim his invention; and deponent further says that the errors which render such patent so inoperative arose from inadvertence and mistake and without any fraudulent or deceptive intention on the part of deponent; that the following is a true specification of the errors which it is claimed constitute such inadvertence and mistake relied upon:

The issuance of said patent to "The National Nut Company," whereas the correct name of deponent's assignee is — National Nut Company of California —.

The entitling of the invention with the specific name of a particular aspect of the invention, namely, "Nut Buttering Machine" instead of with a generic designation inclusive of all of the aspects and embodiments of the invention; namely — Apparatus for Treating Nuts —.

The use on page 1, line 1, of the words "This invention is a nut buttering machine" when in fact the invention is a mental concept relating to a nut treating apparatus of which the buttering of nuts is only one incidental purpose. The introductory phrase should have been — This invention relates to an apparatus —.

The use on page 1, line 5, of the words "The main object," where what follows the quotation relates merely to one of the incidental objects of the invention. The introduction to this paragraph should read — Among the objects —.

The erroneous description on page 1, line 30, of Fig. 1 of the drawings as a plan view of the invention, where the description should read — Fig. 1 is a plan view of one embodiment of the invention. —.

The inapt description on page 1, lines 32 and 33 of Fig. 3 as a view taken upon the line 3-3 of Fig. 1 where this positioning of Fig. 3 upon the sheet of drawings does not conform to the position in which a section taken upon the line 3-3 of Fig. 1 should be shown, but is at right angles thereto. The section line 3-3 should appear in a corresponding position on Fig. 2 of the drawings, and should be omitted from Fig. 1 of the drawings; and line 33 of the specification should read — taken upon the line 3-3 of Fig. 2 —.

The inapt description on page 1, lines 34 and 35, of Fig. 4 as a section taken upon the line 4-4 of Fig. 1 where the positioning of Fig. 4 upon the sheet of drawings does not conform to the position in which a section taken upon the line 4-4 of Fig. 1 should be shown, but is at right angles thereto. The section line 4-4 should be omitted from Fig. 1 of the drawings; and the description of Fig. 4 in lines 34 and 35 of the specification should read — Fig. 4 is an enlarged fragmentary vertical section of the front wall of the housing taken at right angles to the wall at any point intermediate its ends. —.

The use on page 1, line 40, of the words "The invention consists of," where the subject matter following the quoted words is specifically descriptive of the embodiment of the invention illustrated in the drawings, and not of the inventive concept of which the illustrated structure is only one embodiment; and the term "consists of" is inapt and erroneous in that it connotes a limitation excluding elements and structures other than those specifically mentioned, whereas it is obvious that other elements and structures are not only within the contemplation of the invention, but are actually illustrated in the drawings and embraced within the specification. The term "comprises" should have been used instead of the term "consisting of" so as to convey an inclusive rather than an exclusive meaning; and the introduction to the paragraph should read — The illustrated embodiment of the invention comprises—.

The use on page 1, lines 41 and 42, of the words "the front wall consisting of glass" where what follows clearly discloses that the wall does not "consist" of glass, but comprises a glass panel along with other materials and elements. The quoted statement should read — the front wall comprising a panel of glass—.

The use on page 1, lines 52 to 54, of the words "at the

center of each of which a shaft 20 is rotatably mounted in a vertical plane," where each shaft is clearly shown to be mounted in substantial alignment with the center of an opening upon bearings which are adjacent, but not "at," the center of the opening; and the term "plane" is inapt since the shaft could incline at any angle within a vertical plane whereas the shaft is disposed in a vertical position. The quoted phrase should read — aligned with the center of each of which a shaft is rotatably mounted in a vertical position —.

The use on page 1, lines 64 and 102, of the term "consisting of"; and in lines 93-94, and 99 of the term "consists of," where in each case the exclusive meaning of said terms is inaccurate and misleading as each of the elements referred to comprise other parts illustrated in the drawings in addition to those specifically mentioned in the specification. The term "consisting of" should be —comprising—; and the term "consists of" should be —comprises—.

The use on page 1, line 85, of the words "The shaft 20 extends through the axis of," where the expression should be — The shaft 20 is arranged axially with respect to—.

The use on page 1, lines 86, 93, and 96 and in Figures 3 and 5 of the drawings of the reference numeral "35" in connection with the spider upon which the nut containers seat, where that numeral had previously been used in the drawings and specification in reference to the switches controlling the heating elements. The reference numeral "35" should be —48— in each of lines 86, 93, and 96 of the specification, and in Figures 3 and 5 of the drawings.

The use on page 2, line 32, of the word "detracting" where the word —departing— obviously should have been used.

The omission to adequately claim the combination and co-relation of the elements of the invention in various aspects, and without limitation to specific and unnecessary details of the illustrative embodiment shown and described.

The omission to present claims commensurate with the invention.

Deponent also says that such errors so particularly specified, arose as follows: That his former attorney failed to grasp the full and broad significance of all of the novel features of the invention and omitted to adequately define and claim the invention in all of its aspects as hereinbefore enumerated; that deponent has no knowledge of the patent law or of the structure, scope, or significance of claims in a patent specification, and was unable to judge of the sufficiency of the claims in his application, and relied upon his attorney to secure adequate protection for his invention; that he was assured by his attorney in whom he had, at the time, complete confidence that the claims fully and adequately covered his invention; that the errors and insufficiencies of the specification and claims were inadvertently overlooked by him when the application was read by him prior to its execution; that the application was allowed by the Patent Office following the filing of a single amendment canceling the claims originally included in the application and inserting four new unnecessarily limited claims and making only minor amendments of the specification, and which amendment was filed without consultation with deponent; that the Patent Office allowed the application with the said four limited claims without further citation of references and without further prosecution; that when deponent was advised by his attorney of the allowance of the application with said four claims, his said attorney, who deponent then

and until very recently believed to be an attorney at law, and competent to judge upon such matters, assured deponent that such allowance of the claims was indicative of broad protection and that his invention was fully and adequately covered by such claims; and deponent so understood and believed when he received and read his patent, and so advised his assignee.

Deponent further says that he and his assignee rested secure in the belief of adequate protection covering his invention, and in his confidence in his attorney, until November, 1935 at which time circumstances attending certain pending litigation involving the present and other inventions prompted deponent and his assignee to seek advice relative to the extent of protection secured by various patents owned by deponent's assignee including the one referred to in the foregoing petition; that a search of prior art was made at the Patent Office, and the file wrapper of deponent's application along with prior patents disclosed by said search was examined by deponent's present counsel who thereupon pointed out to deponent and his assignee the errors, omissions, and insufficiencies hereinbefore specified; that deponent then realized for the first time the errors and inadequacy of his patent and steps were immediately taken through his present attorney toward filing a reissue application to remedy the defects hereinbefore recited.

(SEAL) MICHAEL J. KOHLER

Sworn to and subscribed before me this 13th day of Jan. 1936.

HYMAN FARRIER,
Notary Public in and for the County of Bronx and New York, State of New York.

Commission Expires March 30, 1937.

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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1939

No. 671

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT

REPLY BRIEF FOR PETITIONER

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To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Respondent has rested its case primarily upon two unsound propositions. By erroneously defining the defense of intervening rights as one that can be sustained only if there be an estoppel against the patentee, respondent has endeavored to limit the issue to that question. But this definition is improper and neither the law nor the record in this case will justify or permit the issue so to be narrowed. It is clear on this record that petitioner's interest to continue *using* the accused ma-

chine must be protected.[1] The problem in the case is sound formulation of the bases upon which such protection may be granted.

The second proposition is that there is an unbroken line of decisions (five only) of this court establishing authoritatively that there can be no defense of intervening rights, predicated upon estoppel, where application for reissue is made within two years after issuance of the original patent. Not one of the cases so relied upon sustains the proposition for which it is cited.

Respondent's brief, being without logical arrangement, cannot be answered point by point without incorporating the same defect in this reply brief. Brevity would likewise be impossible. We have thought, therefore, that it would be most helpful to the court if we select only those matters, wherever and however asserted from time to time in respondent's brief, which might seem to require answer.

I.

The defense of intervening rights requires consideration of laches as well as estoppel.

Respondent insists, and it is the basis of almost all of its argument, that the issue is confined to the question

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[1] This petitioner is not the manufacturer. It is merely the purchaser and user of a single machine. In our opening brief (page 41) we discussed the helplessness of the user against the dangers of reissue and suggested that that fact should be given consideration in determining a rule that would best serve the public interest. In its preliminary report transmitted to Congress July 17, 1939 (76th Congress, First Session, Senate Document 95) the Temporary National Economic Committee recommended that the law be changed to provide that no action based upon infringement of a patent against the purchaser or user be permitted unless the plaintiff had previously prosecuted to a successful judgment an action against the grantor of the license or the seller, if jurisdiction could be obtained over such persons. It stated as its reasons:

> "A provision to the foregoing effect would help meet one of the most serious abuses in the patent field: the use of litigation as a deliberate weapon of business aggression, rather than as an instrument for adjudicating honest disputes."

of "intervening rights." (Resp. Brief, p. 2.) What respondent means, however, is that the issue is confined to this question *as defined by respondent*. That definition is, that the defense of "intervening rights" raises only the question whether petitioner has a personal right to continue to use the accused machine, respondent being estopped.

Respondent's hope and constant endeavor throughout its brief is to limit the issue to the question whether petitioner may have *an* intervening right predicated upon a personal estoppel, and not such intervening rights as shall subserve the defense of laches, which will invalidate respondent's reissue patent entirely. But there is no justification in the law or in this record for narrowing the question in accordance with the arguments so persistently urged by respondent.

The decision of the trial court is not thus limited. In petitioner's answer to the suit on the reissue patent, petitioner urged as defenses, among others, (*a*) that the reissue patent is invalid and void because the original patent was surrendered and reissued without statutory foundation therefor (Par. XV, R. 58); (*b*) that respondent is estopped because petitioner had publicly used the accused machine in reliance on the narrow claims of the original patent (Par. XVII, R. 58); and (*c*) that the reissue is invalid and void because the claims thereof are broader than those of the original patent, and because the reissue was not applied for until an unreasonably long time had elapsed after the original was granted (Par. XVIII, R. 59).

In its "conclusions of law" the trial court found that the petitioner had acquired "intervening rights," and that in view of this defense and the laches of the plaintiff, the court found it unnecessary to consider any of the other defenses to the reissue patent (R. 94). This conclusion was embodied in the broad language of the

decree that petitioner had "acquired 'intervening rights' which in equity plaintiff may not now disturb." (R. 96.)

The Circuit Court of Appeals did not consider itself limited to a consideration of the defense of intervening rights predicated solely upon an estoppel. That court recognized that mere lapse of time can serve to bar a broadened reissue and otherwise gave full consideration to the question (R. 289, 291). The principles announced by it eliminate the defense of laches whenever the reissue is applied for within two years.

Respondent's own view of the decision of the Court of Appeals confutes the position it urges. On page 17 of respondent's reply to our petition for certiorari appears the following: "That the point [respondent's laches] has been duly considered by the Circuit Court of Appeals is apparent * * *." On page 48 of respondent's brief it is said that the Circuit Court of Appeals for the Ninth Circuit "has expressly held that the 'burden of proving a defense of estoppel or *laches* is on the defendant' (R. 289), and that the petitioner has clearly failed to sustain that burden." Reference to the same holding is made on page 60 of respondent's brief.

Respondent asserts that the issue is limited by a stipulation at the trial (R. 88). The Court of Appeals, however, expressly found that the only stipulation "so far as defendant's defenses are concerned, was that plaintiff's patent was infringed, assuming, but not admitting, the validity of the patent." (R. 311.)

Respondent urges that our petition for certiorari s limits the question. That is not true. On page 2 of the petition it is stated, "The facts in the present case, while simple, are such as to present most of the phases of the problem with which the lower courts have struggled. * * * Is the respondent guilty of laches which precludes its securing a valid reissue under the circum-

stances in this case, or, put in another way, does its failure to apply more promptly for such a reissue create an estoppel in favor of the public, including petitioner?" Petitioner's second specification of error is that the Circuit Court of Appeals erred in failing to hold that respondent was guilty of unnecessary delay and laches in applying for its reissue.

This court, in granting the writ of certiorari, imposed no limitations upon the scope of the questions that are presented.

Nor is it true that the defense of intervening rights, so called, has to do only with estoppel. The term is sometimes used in this narrow sense, but there is no basis whatever for considering it an exclusive definition. As one commentator has said:

> "It is necessary also to distinguish between 'laches' and 'estoppel.' Although very learned judges have cast doubt upon the validity of this distinction, it is well recognized by recent opinions in this field and different results follow according to which doctrine is applied. Both laches and estoppel have to do with intervening rights, and both have their bases on dedication, but the doctrine of laches has to do with a loss of the monopoly to the public and the doctrine of estoppel relates only to the curtailment of those rights as asserted against a particular individual." [2]

---

[2] Montgomery, Reissued Patents, 8 So. Cal. Law Rev. 288, 290; see also Bibre, "The Defense of Intervening Rights," 1 Geo. Washington Law Rev. 387, 389. Noteworthy also is the language of Judge Denison in *Ashland Firebrick Co.* v. *General Refractories Co.*, 27 Fed. (2d) 744, who, after approving and adopting the theory of estoppel to support a private intervening right in the nature of a license against a generally valid reissue, said (page 747):

> "While it must be conceded, as the court below held, that the Supreme Court has never expressly upheld the defense of a private intervening right, or distinguished from the general public intervening rights, but has recognized the unsettled character of the questions (*Keller* v. *Adams*, 264 U. S. 314, 44 S. Ct. 356, 68 L. Ed. 705), and while perhaps the basis of the two year rule as to reissue should be called laches rather than estoppel, yet the name is not important, for it is the reliance by the public on the dedication, to the public's (presumptive) injury, which in the typical case develops mere delay into fatal laches."

Although not so labeled, the intervening rights of the public were the essential reason for promulgation of the rule of laches in *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350. The court said:

> "Such a process of expansion [of claims by reissue] carried on indefinitely, without regard to lapse of time, would operate most unjustly against the public * * *." (p. 355.)

Respondent, in urging this limitation of the issue, has disregarded the record, the law, and, in fact, has about completely begged the question. One cannot by definition limit an inquiry purposed to find the definition. Respondent's efforts to limit the issue by such definition suggests what Pound refers to as "fictions often comparable to the 'let's play' this or that of children."[3]

II.

Not one of the cases upon which respondent relies is authority for the proposition that intervening rights may not be a defense when based upon estoppel.

After asserting that the doctrine of intervening rights is nebulous (Resp. Brief, p. 5) respondent challenges the statement on page 7 of our petition for certiorari that "the matter of intervening rights, in relation to the broadened claims of a reissue patent, presents important and difficult questions of federal law which have not been, but should be, decided by this court;" and then, inconsistently, says that this court has "repeatedly passed upon the precise point" (Resp. Brief, p. 14)—adversely to petitioner's contention. This last is not true. None of the five cases relied upon by respondent support its position.

In *Stimpson* v. *Westchester Railroad Co.*, 4 How. 380 (1846), it is doubtful whether the claims of the re-

[3] Pound, "Interpretations of Legal History" (1923), p. 4.

ue applied for four years after the original issue oadened the scope of the original, which would an that the defendant infringed the original, as well the reissue, patent. In any event the court, which de- d the defense of intervening rights, was bound to do because of the 1832 statute (4. Stat. 559) which spe- cally provided that "no public use shall, in any man- , prejudice his [the patentee's] right of recovery for y use or violation of his invention after the grant of ch new patent, as aforesaid."

The case of *Battin* v. *Taggert*, 17 How. 77 (1854) obably involved a narrowed, rather than a broadened ssue. In so far as the court's announcement that othing passes to the public from the specifications or ims, within the scope of the patentee's invention" ap- es to broadened reissues, it has been overruled by ller v. *Bridgeport Brass Co.*, 104 U. S. 350, 356 (1882). In *White* v. *Dunbar*, 119 U. S. 47 (1886), after holding valid the reissue there involved, on the ground that the oadened claims were for another invention, Mr. Jus- e Bradley said (purely as dictum, p. 52):

> "The circumstance that other improvements and inventions, made after the issue of a patent, are often sought to be suppressed or appropriated by an *unauthorized reissue*, has sometimes been referred to for the purpose of illustrating the evil consequences of granting such reissues; but it adds nothing to their illegality. That is deduced from general principles of law as applied to the statute authorizing reissues, and affecting the rights of the government and the public."

The court did no more than say that the defense of hes is derived from general principles of law rather an from the fact that the motive or objective prompt- application for a reissue is improper. The distorted nstruction urged by respondent cannot be sustained in

the face of the contemporaneous cases in this court. In many of those cases the opinions were also written by Mr. Justice Bradley. They indicate clearly that a patentee desiring a broadened reissue must make application speedily *and before the rights of third parties have intervened.* See *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 351 (1882); *James* v. *Campbell*, 104 U. S. 356, 371 (1882); *Mahn* v. *Harwood*, 112 U. S. 354, 362 (1884); *Topliff* v. *Topliff*, 145 U. S. 156, 172 (1892); *Turner & Seymour Mfg. Co.* v. *Dover Stamping Co.*, 111 U. S. 319, 326 (1884). We respectfully refer to our exposition of these cases under Point III of petitioner's brief, commencing at page 22.

In *Topliff* v. *Topliff*, 145 U. S. 156 (1892), an original patent, issued December 19, 1871, was reissued April 9, 1872, and, on a second application "applied for a little more than a month after the first reissue was granted," again reissued March 28, 1876. The holding of this court in that case is stated in the following language (p. 165):

> "Whether this be an enlargement of the original claim or not, it is for substantially the same invention, and in view of the fact that the reissue was applied for as soon as the mistake was discovered and before any rights in favor of third parties could be reasonably expected to have attached, or had in fact attached, we think this reissue is not open to the objections which have proved fatal to so many since the case of *Miller* v. *Brass Company*, 104 U. S. 350, was decided."

The opinion extensively reviews the decision of *Miller* v. *Bridgeport Brass Company*, 104 U. S. 350 (1882) and many of the cases decided by this court in the ten years that had intervened since that decision. By way of summary the court said in the *Topliff* case (p. 169):

> "In the large number of cases which have come up to this court since that of *Mahn* v. *Harwood* was decided, in which reissues have been held to be in-

valid, it will be found that the opinion of the court was put upon the ground, either that the patentee had been guilty of inexcusable laches, usually of from four to sixteen years, *or that circumstances had occurred since the granting of the original patent which made the reissue operate harshly or unjustly to the defendant in the case.*" (Italics ours.)

In deciding the particular case before it the court emphasized that the reissue in question had been applied for before any rights in favor of third parties could be reasonably expected to have attached, or had in fact attached. In stating a general rule the court said that a patentee might have a reissue if "he has been guilty of no want of reasonable diligence in discovering it [the defect in his patent], and no third persons have in the meantime acquired the right to manufacture or sell what he had failed to claim." (p. 171.)

Respondent cites this case as support for the proposition "that the two year rule applies to the same extent to reissue patents as the two year public use statute applies to original patents." (Resp. Brief, p. 59.) This conclusion is drawn from the language on page 171 stating that if a reissue is sought "for the purpose of enlarging the claim, the lapse of two years will ordinarily, though not always, be treated as evidence of an abandonment of the new matter to the public to the same extent that a failure by the inventor to apply for a patent within two years from the public use or sale of his invention is regarded by the statute as conclusive evidence of an abandonment of the patent to the public."

This was but another way of stating that laches will bar the right to a broadened reissue, as that rule was originally promulgated in *Miller* v. *Bridgeport Brass Company*. It is not a statement that until the expiration of the "two year period" there would be no dedication

of any matter disclosed by the patent and not reserved by the claims thereof. "The scope of every patent is limited to the invention described in the claims contained in it * * *". *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 502, 510; *Yale Lock Mfg. Co.* v. *Greenleaf*, 117 U. S. 554, 559; *McClain* v. *Ortmayer*, 141 U. S. 419, 424.

We had hoped to avoid further discussion of the case of *Abercrombie & Fitch Co.* v. *Baldwin*, 245 U. S. 198, by the analysis at page 29 of our brief. Respondent, however, refers only to the discussion in our reply brief on the petition for the writ, and it is still respondent's view that the *Abercrombie* case is authority for denial of intervening rights based upon estoppel. The court found that the original, as well as the reissue, patent was infringed; therefore the intervening use was at all times unlawful and could not give rise to any rights.

Respondent asserts that it makes no difference that the reissue involved in the *Abercrombie* case narrowed and did not broaden the claims of the original patent. This mere assertion is in the teeth of *Mahn* v. *Harwood*, where the court said that a broadened reissue "is injurious to the public, since it takes from the public the use of that which it previously enjoyed, and which the original patent acknowledged its right to enjoy," (112 U. S. 354, 362).

Respondent refers (Resp. Brief, pp. 6, 7) to the decision in 1832 of the case of *Grant* v. *Raymond*, 6 Peters 218. Respondent's quotation from the opinion in that case ends with language indicating disapproval of any rights existing in an intervening user. The three sentences of the opinion *immediately following* the quotation are (p. 243):

> "But the answer to the objection is, that this defence is not made in this case; *and the opinion of the Circuit Court does not go so far as to say that such*

a defence would not be successful. That question is not before the Court, and is not involved in the opinion we are considering. *The defence when true in fact may be sufficient in law, notwithstanding the validity of the new patent."* (Italics ours.)

In its references to the case of *Keller* v. *Adams Campbell Co.,* 264 U. S. 314, respondent indulges (at page 23) in a rather remarkable venture as to the reason why certiorari was granted in that case and (at page 51) endorses the extraordinary compounding of errors resulting from misunderstood language in the case of *Abercrombie & Fitch Co.* v. *Baldwin,* 245 U. S. 198, apparently further misunderstood in *Keller* v. *Adams Campbell Co.,* and by the court below. We respectfully refer to our brief at pages 29 and 30 where we have attempted an analysis and correction of these errors.

It is thus seen that respondent has not correctly understood either the five cases upon which it rests its entire case, or many other decisions to which it refers. The weakness of respondent's argument that this court, by an unbroken line of decisions has repudiated the defense of intervening rights when predicated upon estoppel, is so great that it falls completely before the dictum of Chief Justice Marshall that "The defence when true in fact may be sufficient in law, notwithstanding the validity of the new patent" (*Grant* v. *Raymond,* 6 Peters, 218, 244) and Justice Brown's statement in *Topliff* v. *Topliff,* 145 U. S. 156, 169, that reissues have been invalidated because "circumstances had occurred since the granting of the original patent which made the reissue operate harshly or unjustly to the defendant in the case." (p. 169.) Petitioner, however, is not limited to such statements for support of its position.

III.

The record supports petitioner's contention that respondent is estopped to assert the broadened claims of its reissue patent against petitioner.

We need not repeat our exposition of this point which is found at page 49 of our brief. But fallacies of respondent's discussion (Resp. Brief, p. 36, *et seq.*) cannot be overlooked. It is asserted that the following elements of estoppel are lacking:

1. Knowledge on respondent's part.

In reply—not only what is known, but what should be known, is within the definition (Pomeroy, "Equity Jurisprudence," (4th ed.) sec. 805). Respondent should have known of the defects (*Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 356).[4]

2. Knowledge on petitioner's part.

In reply—this was acquired when notice was sent (Rec. 77).

3. Reliance by petitioner on the original narrow claims.

In reply—there was such reliance when petitioner elected to continue using the machine.

4. Intent on respondents' part to mislead.

In reply—all the rule cited by respondent requires is intent that the other party shall act on the representation. This petitioner did.

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[4] In this connection we call attention to the following testimony of respondent's president:

"The application for reissue of the Kohler patent No. 1,958,409 was made upon the recommendation of Mr. Charles S. Evans, with whom I took the matter up in the fall of 1935 after suit was brought against Sontag Chain Stores Co., Ltd. Prior to consulting Mr. Evans I *presumed* that the claims of the Kohler patent No. 1,958,409 were broad and proper claims. That impression was given me by Mr. Schroeder. * * * I handled all correspondence with Schroeder regarding the Kohler applications." (R. 106, 107.)

5. A change in petitioner's position induced by respondent's conduct.

In reply—there was such a change when petitioner elected to continue using the accused machine to build up its unit business. There was also a change in its legal position, a fact which respondent fails to appreciate.

Under this point respondent demonstrates in more concentrated form than usual the fallacies of its position. The assertions made following the discussion just analyzed are equally fallacious:

(*a*) Respondent did not know of any defect or insufficiency in its original patent.

In reply—respondent was negligent in not knowing it and was under a duty to know it.

(*b*) Petitioner was advised by respondent's notice of infringement and suit that respondent claimed patent rights against petitioner.

In reply—those patent rights at that time were limited by the claims of respondent's patent, which petitioner did not infringe.

(*c*) Petitioner by continuing its infringing practice in the face of respondent's notice and suit made no change in its position.

In reply—petitioner's practice was not then infringing. In proceeding with that practice after receiving notice of infringement, petitioner deliberately made a choice which involved a change of legal position.

(*d*) Petitioner proceeded in disregard of respondent's asserted right, and its statutory right to secure a reissue.

In reply—respondent's asserted right was no right at all because petitioner did not infringe the claims of the

original patent. Whether respondent had a right to secure a reissue is the question in this case.

(*e*) It was to be presumed that respondent would exercise every right properly available to it, including the right to secure a reissue.

In reply—there was no presumption that respondent had a right to a reissue or that it would exercise it.

(*f*) There could be no dedication during the period in which the right to apply for reissue could be properly made.

In reply—the decisions establish beyond argument that there was a dedication. Whether that dedication could be recaptured by reissue is the question in this case.

IV.

The record supports petitioner's contention that respondent's broadened reissue is invalid because of respondent's long delay in applying therefor.

Respondent boldly states that (Resp. Brief, p. 28) "Petitioner has confused its defense of 'intervening right' with the defense of invalidity of a reissue patent resulting from laches in making application therefor." The confusion is respondent's, not petitioner's. We are not talking alone about an "intervening right" but about "intervening rights." We think we need not reiterate our argument that that is the issue in this case, and that its determination requires consideration of estoppel, laches and broad questions of public policy.

Respondent's answer to the charge of laches is only that its application for reissue was filed within two years of the grant of the original patent. That is not an answer. Respondent also argues that "the Circuit Court of Appeals has expressly held the reissue patent

valid." (Resp. Brief, p. 29.) But the Court of Appeals decided that respondent had proceeded with due diligence only because it was of the opinion that application any time within two years would be adequate.

That is not the law. The cases of *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 355; *James* v. *Campbell*, 104 U. S. 356, 371; *Mahn* v. *Harwood*, 112 U. S. 354, 362, and *Topliff* v. *Topliff*, 145 U. S. 156, 171, and many others, require a patentee to be diligent in applying for a reissue and state that such application must be made before the rights of third parties have accrued. In *Mahn* v. *Harwood*, 112 U. S. 354, the court specifically stated (p. 363): "* * * no invariable rule can be laid down as to what is reasonable time within which the patentee should seek for the correction of a claim which he considers too narrow," and says that the two-year period suggested in *Miller* v. *Bridgeport Brass Co.* (104 U. S. 350), "was a mere suggestion by the way and was not intended to lay down any general rule."

As Judge Learned Hand said in *Otis Elevator Co.* v. *Atlantic Elevator Co.*, 47 Fed. (2d) 545, 549:

> "Intervening rights are only another aspect of the policy which makes laches alone enough."

Essentially it was those rights that resulted in the rule promulgated in *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 355.

We respectfully refer to our discussion (Pet. Brief, p. 51) of the many facts in this record which conclusively demonstrate respondent to have been guilty of laches, and we submit that respondent has not so much as attempted to answer the argument there made.

V.

The dominant social interest (public policy) favors protection of the interest of petitioner to continue the use of the accused machine.

The broadening of claims by reissue is opposed to the public interest. Respondent brings the reissue statute (without analysis) under the broad protection of the public policy which favors the granting of patent monopolies. So far as broadened reissues are concerned, however, we do not need to go beyond the cases for answer to the proposition here advanced by respondent.

It is the office of the description in a patent to advise the public of the nature of the patentee's invention, so that at the end of his monopoly the invention will be generally available. It is the office of the claims to define the field of the monopoly the patentee seeks for his invention. It has long been the law that the main object of the patent system is "to promote the progress of science and useful arts," and *not* "the creation of private fortunes for the owners of patents." (See *Motion Pictures Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 501, 510 (1916); *Kendall* v. *Winsor*, 21 How. 322 (1859); *Pennock* v. *Dialogue*, 2 Peters, 1 (1829).)

The general public policy behind the patent system is not interested in doing more than giving the patentee an *opportunity* to claim a monopoly. So far as broadened reissues are concerned, this court specifically stated in *Mahn* v. *Harwood*, 112 U. S. 354 (1884) that such a reissue is "injurious to the public, since it takes from the public the use of that which it previously enjoyed, and which the original patent acknowledged its right to enjoy." (362)

Respondent, however, claims to be a public benefactor stating that "Prior to the introduction of respondent's

achine, salted nuts had been sold in but few stores * *. Since the introduction of the Kohler machine and because of it), the sale of the commodity has been ery greatly extended * * *. The public is enjoying he advantage of vastly increased availability of a de-irable commodity resulting from respondent's patented nvention. In return, public policy should extend to re-pondent the benefits of respondent's invention during he life of the patent here involved." (Resp. Brief, pp. 5, 36.) This argument is not impressive.

The testimony of respondent's President and General Manager (R. 100 to 105) indicates the kind of "public nterest" that would be served by giving respondent a nonopoly. Respondent is in the business of importing, acking and wholesaling edible nuts (R. 102). It manu-actures the nut machines but does not sell them (R. 03). They are "put out on a rental basis." The rental aries from ½-cent to 2 cents a pound on the nuts used n the machines. *"The stores have to buy the nuts from s to use in our machines.* In 1932 our nut business was 120,000, in 1935 over $500,000, and ran about that in 935, 1936, 1937." (R. 104.)

We need only refer to: *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 502, 513; *Carbice Corp.* v. *American Patents Development Corp.*, 283 U. S. 7, 31; *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, 463.

Also to be considered under the heading of public pol-cy is the question of shortening the presumptive two-ear period within which laches will be an absolute bar. Respondent concedes that in view of the amendment of he statute changing the period of permitted public use rior to the original application for a patent from two ears to one year, that the "two year rule" of *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, should be similarly imited. But respondent does not think that limitation

should be made in this case because the new statutory period does not become effective until August 5, 1940.

Respondent's position in this respect is unsound. The basis of the two-year rule is laches. The justice that announced it said that it "was a mere suggestion by the way and was not intended to lay down any general rule." (*Mahn* v. *Harwood*, 112 U. S. 354, 362.)

In *Patterson* v. *Hewitt*, 195 U. S. 309 (1904), at page 317, this court said:

> "In actions at law, the question of diligence is determined by the words of the statute. If an action be brought the day before the statutory time expires, it will be sustained; if a day after, it will be defeated. In suits in equity the question is determined by the circumstances of each particular case. The statute of limitations consorts with the rigid principles of the common law, but is ill adapted to the flexible remedies of a court of equity. The statute frequently works great practical injustice—the doctrine of laches, never. True, lapse of time is one of the chief ingredients, but there are others of almost equal importance. Change in the value of the property between the time the cause of action arose and the time the bill was filed; complainant's knowledge or ignorance of the facts constituting the cause of action, *as well as his diligence in availing himself of the means of knowledge within his control*, are all material to be considered upon the question whether the suit was brought without unreasonable delay."

The conditions which lead to the shortening of the statutory period long antedate the statutory change above referred to. In 1933 the executive committee of the Patent Office Society recommended that the period of permitted public use should be changed to one year and "the period of two years applied in equitable bars be likewise shortened." In commenting on that recommendation the committee said:

"The slow movement of post riders and coaches has been replaced by the all but lightning movement of the railway express and air mail. Not one-half of the original time is now needed for the purpose of arranging for either public use, or sale, or for the filing of an application." (See 15 Journal of the Patent Office Society, pages 846, 847.)

After hearings before the Temporary National Economic Committee but before a report of the Department of Justice, transmitted to Congress July 17, 1939, recommending the change (76th Congress, First Session, Senate Document No. 95; see 21 Journal of the Patent Office Society, page 653), the Committees on Patents of both the Senate and the House had reported favorably on the bill to curtail the permitted period of public use which has become law. The reports contain the following paragraphs, which is of interest here:

"The law thus permits an inventor, after his invention is fully completed, to make the invention known to the public for a period of 2 years before filing his application for patent. An invention may be described in print, sold, and used widely by anyone, either the inventor himself or others, and after a period of up to 2 years, an application for patent can be filed by the original inventor and a valid patent obtained, even when the public may have come to believe that the invention is open to anyone.

"In 1839, when the period of 2 years was first adopted, it may have been a proper length of time for an inventor to make up his mind whether or not to file an application for patent. Under present conditions 2 years appears unduly long and operates as a handicap to industry. Reduction of the period would serve to bring the date of patenting closer to the time when the invention is made, and would expedite applications, not only in their filing but also in their progress through the Patent Office." (76th

Congress, First Session, House Report No. 961; Senate Report No. 876.)

In our suggestion that the duration of laches that may be fatal to the right to a broadened reissue patent be curtailed, we called attention to the fact that the legislature had recognized that changed conditions justified shortening an analagous period provided under the statute. Where equitable rights are concerned, however, the courts use statutory periods only by way of analogy and there is no reason why a "one year rule" may not now be adopted if the equities of the situation require it. The changed conditions which resulted in shortening the statutory periods have long existed even though the new statute does not become effective until August 5, 1940. They apply with much more force to the question of the right to a reissue in which the rule of diligence has long been enforced.

CONCLUSION.

It is again respectfully submitted that the decree of the Circuit Court of Appeals for the Ninth Circuit should be reversed.

Respectfully submitted,

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In the Supreme Court
OF THE
United States

OCTOBER TERM, 1939

No. 671

SONTAG CHAIN STORES CO., LTD. (a corporation),

Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA (a corporation),

Respondent.

RESPONDENT'S REPLY BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI.

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RESPONDENT'S REPLY BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI.

To the Honorable Charles Evans Hughes, Chief Justice of the United States, and to the Associate Justices of the Supreme Court of the United States:

Respondent, National Nut Company of California, replying to the petition of Sontag Chain Stores Co., Ltd., in the above entitled matter, respectfully submits that the present cause has been fully considered and properly decided by the United States Circuit Court of Appeals for the Ninth Circuit (National Nut Company of California

v. Sontag Chain Stores Co., Ltd., reported at 107 F. 2nd 318, advance sheets January 1, 1940); and that petitioner's petition for writ of certiorari is without merit and should be denied.

SUMMARY OF RESPONDENT'S POSITION.

In opposing petitioner's petition for a writ of certiorari, respondent's position is as follows:

(a) Petitioner's summary and statement of matter involved, as set forth in its petition, is in various respects inaccurate, incomplete, or misleading.

(b) The reasons relied upon by petitioner for allowance of the writ it has prayed for are unsupported by the facts, and afford no proper grounds for the granting of such writ.

(c) The decision of the United States Circuit Court of Appeals for the Ninth Circuit here involved is founded upon the particular facts of the present case; and correctly applies well established principles of law to those facts.

(d) The decision here involved is not in conflict with other decisions of the United States Circuit Courts of Appeals upon the facts of this case, or upon equivalent facts in other cases.

(e) No important or difficult question of Federal law is raised in the present case which has not previously been considered and passed upon by the Supreme Court of the United States; and if any conflict exists between the present decision and other decisions of the United States Circuit Courts of Appeals (which, however, is denied) it is

because such other decisions have failed to apply principles of law heretofore laid down by decisions of the Supreme Court.

(f) The present case does not come within any of the classes of cases contemplated by rule 38 of the Rules of the Supreme Court; and presents no question meriting review by that Court.

PETITIONER'S STATEMENT OF MATTER TRAVERSED.

Respondent disagrees with a number of the assertions of petitioner's summary and statement of matter involved; and submits that the statement in inaccurate, incomplete or misleading in various respects, including:

(1) Respondent submits that the case does not present squarely "the important and troublesome matter of intervening rights in relation to the broadened claims of a reissue patent" for the reason that the so-called doctrine of "intervening rights", if entitled to any recognition whatever, is not applicable to cases where, as here, the patent in suit is a valid reissue patent granted with broadened claims on an application filed with due diligence within two years after the grant of the original patent on which it is based.

Stimpson v. Chester Railroad Co. (1846), 4 How. 380, 11 L. Ed. 1020;

Miller v. Brass Co., 104 U. S. 350, 26 L. Ed. 783;

Mahn v. Harwood, 112 U. S. 354, 5 S. Ct. 174;

White v. Dunbar, 119 U. S. 47, 7 S. Ct. 72;

Topliff v. Topliff, 145 U. S. 156, 12 S. Ct. 825;

Abercrombie & F. Co. v. Baldwin, 245 U. S. 198, 38 S. Ct. 104.

(2) Petitioner's statement that "The scope of such rights (intervening rights) and the principles governing their determination have not been fixed by decisions of this Court", while probably true in a strictly literal sense, is believed to be inaccurate and misleading. Respondent submits that the decisions of this Court preclude the existence of "intervening rights" and hence that this Court has not attempted to define the scope of, or lay down principles with respect to, supposed rights which the decisions of this Court definitely preclude. Obviously there could be no purpose in attempting to define the scope of rights which have no existence (see authorities cited in (1) above).

(3) Petitioner's statement (Petition, page 2, numbered paragraph 1) that "There was no infringment of the original patent" is misleading because it is only petitioner's conclusion. Neither the trial Court, nor the Circuit Court of Appeals was called upon to pass upon that point, since only claims 6, 8, 9, 10, 11, 13, 14, 15 and 17 of the reissue patent in suit were in issue (R. 87). Similar statements appearing in the petition, pages 5 and 6, are subject to the same criticism. Respondent's election to rely only upon a limited number of the new claims of its reissue patent is not an admission that other claims are not infringed.

(4) Petitioner's statement that "respondent by affirmative acts and litigation led petitioner to believe that it (respondent) was relying wholly upon the narrow claims of the original patent" is traversed on the ground that it is merely an erroneous conclusion by petitioner, unsupported by the facts of the case. Suit having been brought, the assumption is that the plaintiff will assert every right

properly available against the defendant, including, in this case, the right to have the original patent reissued. The right to secure a reissue is provided by statute, *U. S. C. A* Title 35, Sec. 64 (R. S. Sec. 4916). Petitioner is presumed to have known that, under the statute, respondent might secure a reissue of its original patent. In proceeding in disregard of that right, petitioner did so at its own risk. (See: *Abercrombie & F. Co. v. Baldwin,* supra).

(5) Petitioner's statement (petition, page 3) that the Circuit Court of Appeals, in reversing the District Court, arrived at "conclusions in conflict with the decisions of three other circuits" is believed to be inaccurate and misleading because it ignores the truth that the facts of this case have never been passed upon by any other Circuit Court of Appeals. The decisions of other courts on other facts present no real conflict with the decision of the Circuit Court of Appeals on the facts of the present case.

(6) In its statement of matter involved (petition, page 4, third and fourth paragraphs), petitioner attempts to attach significance to the fact that respondent's application for reissue was filed January 15, 1936, two days after the petitioner filed at San Francisco its answers to some of respondent's interrogatories. The point is immaterial; and is believed to be misleading because the reissue application was executed by the inventor at New York upon January 13, 1936 (Plaintiff's Ex. 4, offered in evidence at R. 100-1). Consequently, petitioner's answers to interrogatories could have had no influence upon petitioner's application prepared and sent to the inventor in New York prior to the time said answers to interrogatories were served and filed.

(7) Petitioner complains (petition, page 4, last paragraph) that respondent did not notify petitioner of its application for reissue, but that, "by keeping the petitioner busy with interrogatories" led petitioner to believe that it relied on its original patent. In this, petitioner ignores the fact that respondent's application for reissue was purely an *ex parte* proceeding; and could have no effect upon the pending litigation unless and until the reissue was granted. Also, it is to be noted that it was petitioner's objections and refusal to answer some of respondent's interrogatories that extended proceedings in connection therewith from the time objections were filed January 13, 1936 (R. 70-76) up to the time answers were ultimately filed upon May 16, 1936 (R. 77-80); and that the interrogatories were material to respondent's cause of action regardless of the filing of the reissue application.

(8) Petitioner's statement (page 5, lines 3-5) that it "continued to use the accused machine in reliance upon the narrow claims of the original patent", must be considered in the light of the fact that respondent possessed the statutory right to secure a reissue; and that such continued use was in complete disregard of that fact and of respondent's rights, as ultimately determined by the Circuit Court of Appeals. Certainly, since suit had been brought, petitioner had no reason to assume that respondent would abandon its right to secure a reissue in furtherance of that suit.

(9) Petitioner's summary of the holding of the Circuit Court of Appeals is incomplete in that it ignores the express holding of said Court that the case presents "*no facts creating an estoppel*" (R. 310). Continued use of an infringing machine in disregard of rights expressly

granted to a patentee by statute (*U. S. C. A.* Title 35, Sec. 4, R. S. Sec. 4916), knowledge of which is imputed to petitioner, can afford no grounds for an estoppel, particularly in view of the decision of this Court in *Abercrombie v. Baldwin,* supra.

(10) Petitioner's queries, set forth in numbered paragraphs 1, 2 and 3 of its summary statement of matter involved (petition, pages 2 and 3) relate to questions of fact which the Circuit Court of Appeals has considered and decided adversely to petitioner. It is submitted that no question of general Federal law has been presented which merits review by this Court.

THE REASONS RELIED UPON BY PETITIONER FOR ALLOWANCE OF WRIT ARE WITHOUT MERIT.

Petitioner has set forth two reasons relied upon for allowance of the writ of certiorari it has prayed for. Both reasons are believed to be without merit.

1. Petitioner's first reason is that the case involves "important" and "difficult" questions of Federal law "which have not been but should be decided by this Court." Granting that the questions are important, they present no difficulty when properly considered in the light of principles of law long ago announced by this Court. As a matter of fact, the questions have been considered, and have been adequately and properly answered by the United States Supreme Court in decisions dating back more than a hundred years.

As noted by the Circuit Court of Appeals in its decision here involved (R. 290) the first Supreme Court ruling on

the subject of reissue patents was in the case of *Grant v. Raymond*, 6 Pet. (31 U. S.) 218, 243, 8 L. Ed. 376 (1832) which arose prior to any statute authorizing the reissue of a patent. The Court there held that a reissue could properly be granted, even without a statutory provision on that point. Mr. Chief Justice Marshall delivered the opinion and (at page 243) stated:

> "It has been said that this permission to issue a new patent on a reformed specification, when the first was defective through the mistake of the patentee, would change the whole character of the act of Congress.
>
> We are not convinced of this. The great object and intention of the act is to secure to the public the advantages to be derived from the discoveries of individuals, and the means it employs are the compensation made to those individuals for the time and labor devoted to these discoveries, by the exclusive right to make, use and sell, the things discovered for a limited time. That which gives complete effect to this object and intention, by employing the same means for the correction of inadvertent error which are directed in the first instance, cannot, we think, be a departure from the spirit and character of the act.
>
> An objection much relied on is, that after the invention has been brought into general use, those skilled in the art or science with which it is connected, perceiving the variance between the specification and the machine, and availing themselves of it, may have constructed, sold and used the machine without infringing the legal rights of the patentee, or incurring the penalties of the law. The new patent would retroact on them, and expose them to penalties to which they were not liable when the act was committed.
>
> This objection is more formidable in appearance than in reality. It is not probable that the defect in the specification can be so apparent as to be perceived by any but those who examine it for the purpose of pirating the invention. They are not entitled to much favor."

The doctrine of *Grant v. Raymond* was reaffirmed in the case of *Shaw v. Cooper* (1833), 7 Pet. 292, 8 L. Ed. 689, where Mr. Justice McLean says (at 315):

> "That the holder of a defective patent may surrender it to the Department of State and obtain a new one which shall have relation to the emanation of the first, was decided by this court at the last term in the case of *Grant et al. v. Raymond* (6 Peters, 220). The *Chief Justice*, in giving the opinion of the court, says: 'But the new patent, and the proceedings on which it issues, have relation to the original transaction. The time of the privilege still runs from the date of the original patent. The application may be considered as appended to the original application; and if the new patent is valid, the law must be considered as satisfied if the machine was not known or used before that application.'
>
> As this decision must be considered as settling the construction of the patent laws on this point, it is conclusive in the present case; and it is therefore unnecessary to examine the argument of the plaintiff's counsel, which was designed to lead to a different conclusion.
>
> The second patent being a continuation of the first one, the rights of the plaintiff must be ascertained by the law under which the original application was made."

The question of "intervening rights" arose and was specifically answered by the Supreme Court in its decision in *Stimpson v. West Chester Railroad Co.* (1846), 4 How. 380. There the question of an "intervening right" was squarely presented by a charge given to the jury by the trial judge as follows:

> "'It clearly appears that the defendants constructed their railroad with the plaintiff's curves in 1834, one year or more before the plaintiff's application for his renewed patent; consequently, they may continue its use without liability to the plaintiff.'"

After noting the charge and discussing the pertinent statutory provisions, Mr. Justice McLean in delivering the opinion of the Court stated (page 402):

> "The above proviso would seem to be susceptible of but one construction; and that is, that the patentee may sustain an action 'for any use or violation of his invention after the grant of the new patent.' Now, it is plain that no prior use of the defective patent can authorize the use of the invention after the emanation of the renewed patent under the above section. To give to the patentee the fruits of his invention was the object of the provision; and this object would be defeated if a right could be founded on a use subsequent to the original patent and prior to the renewed one.
>
> The thirteenth section of the Act of the 4th of July, 1836, which remodeled the patent law in this respect, made no material change in the Act of 1832. The words in the latter act are: 'And the patent, so re-issued, together with the corrected description and specification, shall have the same effect and operation in law, on the trial of all actions hereafter commenced for causes subsequently accruing, as though the same had been originally filed in such corrected form, before the issuing out of the original patent.' Now, any person using an invention protected by a renewed patent subsequently to the date of this act is guilty of an infringement, however long he may have used the same after the date of the defective and surrendered patent.
>
> The Circuit Court relied upon the seventh section of the Act of the 3d of March, 1839, as sustaining their construction in regard to the use of the invention after the renewed patent. But that section has exclusive reference to an original application for a patent, and not to a renewal of it. We think the court erred in their instruction to the jury above stated."

By later decisions, the Supreme Court laid down the general rule that a broadened reissue patent cannot be

validly granted if the application therefor was filed more than two years after the date of the original patent, unless longer delay is adequately excused.

Miller v. Brass Co. (1881), 104 U. S. 350;
Mahn v. Harwood (1884), 112 U. S. 354;
White v. Dunbar (1886), 119 U. S. 47;
Topliff v. Topliff (1891), 145 U. S. 156.

The two-year rule, as first announced in *Miller v. Brass*, and reaffirmed in *Mahn v. Harwood*, was arrived at by analogy to the rule that two years of public use prior to application will bar the grant of a valid patent. In other words, failure to correct a defective patent within two years after its grant constitutes a dedication of unclaimed subject matter to the public, just as two years of public use before an original application bars the grant of a valid patent. Subject to such limitation, a reissue patent validly granted under the provisions of the reissue statute relates back to the date of the original patent upon which it is based.

The rule announced in *Stimpson v. West Chester Railroad Co.* supra, stands unchanged, and its application is limited only by the two-year rule subsequently laid down by the Supreme Court. The rights granted by a valid reissue patent issued pursuant to the reissue statute are not affected by what others may have done in the interval between the grant of the defective original patent and the application for reissue. This was again affirmed in *White v. Dunbar*, supra, wherein the opinion by Mr. Justice Bradley states (at page 52):

> "We attach no importance to the fact that between the date of the original patent and the application for the reissue, the patent to Pecor and Bartlett was

granted. It is, indeed, quite apparent that the appellees applied for a reissue in consequence of that patent, and in order to prevent the canning of shrimps under it. The circumstance that other improvements and inventions, made after the issue of a patent, are often sought to be suppressed or appropriated by an unauthorized reissue, has sometimes been referred to for the purpose of illustrating the evil consequences of granting such reissues; but it adds nothing to their illegality. That is deduced from general principles of law as applied to the statutes authorizing reissues, and affecting the rights of the government and the public."

More recently the principle established by *Stimpson v. West Chester Railroad Co.* and reaffirmed in *White v. Dunbar* has been properly applied in the decision rendered in *Abercromb & F. Co. v. Baldwin* (245 U. S. 198) where Mr. Justice McKenna states (page 209):

"To the contention that the Justrite Company, the manufacturing defendant, acquired rights before the reissue, we again may oppose the reasoning and conclusion of District Judge Mayer and their affirmance by the Circuit Court of Appeals. The learned judge said:

'It will be remembered that this company entered the field with its lamp at a time when the validity and scope of the Baldwin patent were still unquestioned and when after some five years of capable effort, the Baldwin lamp had created an extensive market. The Justrite Company took its chances, and, in view of the necessities of the situation, it is relieved of all accountability for the period prior to the granting of the reissue patent; but when the reissue statute was granted the Justrite Company again took its chances.

'By the reissuance of the patent, the patentee loses all in the way of an accounting under the original patent, but the dominant purpose of the reissue statute was to save to the inventor the future remaining after the reissue.

'I see nothing in the course of plaintiffs or defendants which would allow a court of equity to conclude that defendants are to be relieved because of intervening rights.' ".

In *Topliff v. Topliff* the Supreme Court reviewed a number of its prior decisions and summarized the effect of its previous holdings, as follows (beginning at page 170):

"From this summary of the authorities it may be regarded as the settled rule of this court that the power to reissue may be exercised when the patent is inoperative by reason of the fact that the specification as originally drawn was defective or insufficient, or the claims were narrower than the actual invention of the patentee, provided the error has arisen from inadvertence or mistake, and the patentee is guilty of no fraud or deception; but that such reissues are subject to the following qualifications:

First. That it shall be for the same invention as the original patent, as such invention appears from the specification and claims of such original.

Second. That due diligence must be exercised in discovering the mistake in the original patent, and that, if it be sought for the purpose of enlarging the claim, the lapse of two years will ordinarily, though not always, be treated as evidence of an abandonment of the new matter to the public to the same extent that a failure by the inventor to apply for a patent within two years from the public use or sale of his invention is regarded by the statute as conclusive evidence of an abandonment of the patent to the public.

Third. That this court will not review the decision of the commissioner upon the question of inadvertence, accident, or mistake, unless the matter is manifest from the record; but that the question whether the application was made within a reasonable time is, in most, if not in all, such cases, a question of law for the court."

The Court here correctly recognized that, under some circumstances third persons *might* acquire an "intervening right" to make, use or sell that which the patentee had originally failed to claim. For example, one who had practiced the invention for two years before the application for a reissue might properly be held to have acquired rights in derogation of the reissue patent. Again, circumstances might arise which would create an estoppel affecting the right of a reissue patentee to enforce his patent against a particular party in whose favor the estoppel might operate.

In the present case, the Circuit Court of Appeals in its decision (R. 308-309) has aptly summarized the principles laid down in the decisions of the Supreme Court; and applying those principles has held that petitioner has acquired no intervening rights and that the case presents no facts creating an estoppel.

2. The second reason assigned by petitioner for an allowance of the writ prayed for is that the decision of the Circuit Court of Appeals is in conflict with the law as formulated by other Circuit Courts of Appeals. Respondent submits that no such conflict exists. The decisions in the cases cited and relied upon by petitioner as showing such alleged conflict are based upon different facts.

In the *Roos Co. v. McMillan* case cited by petitioner, the Court expressly found on the facts of that case that the patentee was barred by laches or estoppel. In the present case, the Circuit Court of Appeals has held that the facts show no laches or estoppel.

In *Autopiano Co. v. American Player Action Co.*, a second reissue was granted more than six years after the original patent in an effort to reclaim claims previously abandoned in securing a first reissue. No comparable situation is involved in the present case.

The third case relied upon by petitioner *(Wichita Visible Gasoline Pump Co. v. Clear Vision Pump Co.)*, also involves an express finding of estoppel. In the present case, the Court has expressly found that no estoppel has arisen.

If there be any conflict between the decision of the Circuit Court of Appeals in the present case and the decisions of other Circuit Courts of Appeals in other cases (which, however, is denied) such conflict has arisen because of the failure of such other Courts to apply the principles which have been laid down by the Supreme Court in the decisions above referred to. In the present case, the Circuit Court of Appeals has observed and applied the rules and principles announced by the Supreme Court throughout the past hundred years. If other Courts, by failure to observe and apply those rules and principles, have rendered decisions in conflict therewith, that circumstance can afford no reason for subjecting this respondent to the delay and expense of a review by the Supreme Court of the present decision wherein said rules and principles have been followed.

Should this Court be disposed to again pass upon the question of so-called "intervening rights", it is believed that it should be in connection with a review of a decision in *conflict* with the past decisions of this Court; and not

in a case, such as the present case, where the decision of the Circuit Court of Appeals is in full accord with the decisions of this Court.

REPLY TO PETITIONER'S ARGUMENT.

For the most part, petitioner's argument is adequately disposed of by the points above discussed, and the authorities above cited. As to the matter of alleged "laches" and "estoppel" predicated upon the particular facts of the case, only a brief further refutation is necessary.

I.

RESPONDENT IS NOT BARRED BY "LACHES".

Petitioner would have this Court believe that, because the application for the reissue patent here involved was not filed until twenty months after the grant of the original patent on which it is based, that respondent is barred by "laches" from asserting the broadened claims of the reissue against petitioner. The facts do not support petitioner's contention; and both the Patent Office and the United States Circuit Court of Appeals have so held by granting the reissue and affirming its validity. Respondent and its officers believed that the original Kohler patent here involved included broad and proper claims (R. 106-7); and in the utmost good faith asserted its patent rights against the present petitioner, even to the extent of bringing suit to enforce those rights. Upon discovering the partial inoperativeness of its original patent, it immediately made application for reissue, the

application being filed well within the two-year rule laid down by the Supreme Court. At all times, respondent has acted diligently in securing and enforcing the rights to which it is entitled under the patent laws; and the Circuit Court of Appeals has properly held that the defense of "laches" has not been sustained. That the point has been duly considered by the Circuit Court of Appeals is apparent from its statement (R. 289) that "The burden of proving a defense of laches or estoppel is on the defendant," (citing authority).

The authorities relied upon by petitioner in support of its alleged defense of "laches" have been hereinabove referred to. In each case, the decision was based upon the particular facts of the case under consideration; and in each case the facts were peculiar to the case, and materially different from the facts of the present case. Because of wide differences in the facts involved, it is submitted that the authorities relied upon by petitioner are without material bearing upon the issues presented in the present case.

II.

RESPONDENT IS NOT ESTOPPED FROM ASSERTING ITS REISSUE PATENT AGAINST PETITIONER.

The Circuit Court of Appeals has expressly held that the facts of the present case do not give rise to an estoppel. Indeed, the facts in this case point conclusively to an absence of estoppel.

Petitioner was notified of its infringement; and upon failing to reply to the notice of infringement, was made

defendant in a suit based upon respondent's original patent. The record does not suggest, nor can it be assumed, that respondent was acting otherwise than in the utmost good faith at all times.

Upon discovering the partial inoperativeness of its original patent in suit, respondent promptly applied for its reissue. Application for such reissue could not be delayed until after the termination of the pending litigation, as the two-year rule laid down by the Supreme Court might then have barred the grant of a valid broadened reissue. The facts and circumstances leading to the application for reissue were fully disclosed to and considered by the Patent Office in connection with the reissue application; and, facts warranting the grant of respondent's reissue having been established, the reissue patent was duly and regularly issued. The Circuit Court of Appeals has accepted and sustained the Patent Office action, and the validity of respondent's reissue patent.

Suit having been brought upon respondent's original patent, petitioner was on notice that respondent was asserting its patent rights against petitioner. In ignoring respondent's notice of infringement, and in continuing to use the machine complained of, even after suit was brought, petitioner in no way changed its position in reliance upon supposed limitations in the claims of respondent's original patent, either before or after suit was brought. If petitioner chose to disregard respondent's right to secure a reissue of its patent in suit, it did so at its own risk (see *Abercrombie v. Baldwin*, supra).

To invalidate an original patent on the ground of

prior to the filing of the application resulting in the patent; and such use must be proved *beyond reasonable doubt* (see *Washburn & Moen etc. v. Beat 'Em All Barbed-Wire Co. (The Barbed Wire Patent)*, 143 U. S. 275, 12 S. Ct. 443). The same rule should, and under the decisions of the Supreme Court does, apply in the case of reissue patents. There is nothing in law or in logic to support petitioner's theory that the period of public use, or infringing use, necessary to defeat a reissue patent should be less than that required to invalidate an original patent merely because of the circumstance that by inadvertence, accident or mistake the original patent was required to be reissued in order to secure for the patentee the full measure of the rights to which he was entitled under the patent laws.

The grant of a valid original patent is effective against a prior user whose use does not antedate the patent application by two years, regardless of whether such use was innocent, or intended to appropriate the invention of the patentee. For the same reason, a valid reissue is effective against one who has practiced the patented invention for less than two years; and the rule should be the same whether such use were innocently begun, or if it were intended to evade the patent on which the reissue is based. Certainly the patent laws were designed to aid the inventor and patentee. Where, as here, the patentee avails himself of the privileges extended to him under the patent laws, his rights as defined by his patent obviously should prevail over the personal interests of others seeking private gain by appropriating that which belongs to the patentee. One who deliberately seeks to take advantage of the mistake of

another and by a technicality evade responsibility for an infringing act, is entitled to little sympathy from the Courts of justice.

In any event, the matter of whether the facts of a specific case give rise to an estoppel presents no important question of general Federal law warranting review by the Supreme Court of the present decision founded upon the facts of the present case.

CONCLUSION.

In view of the decisions of the United States Supreme Court hereinabove cited, and the ruling by the Circuit of Appeals for the Ninth Circuit in the present case that no defense of "intervening right", "estoppel" or "laches" is available to petitioner, it is submitted that petitioner's petition presents no question meriting review by this Court; and that the petition should be denied. Respondent therefore prays that said petition be denied; and for such other and further relief as may seem proper in the premises.

Dated, San Francisco, California,
February 16, 1940.

HUGH N. ORR,
Attorney for Respondent.

CHARLES S. EVANS,
Of Counsel.

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In the Supreme Court
OF THE
United States

OCTOBER TERM, 1939

No. 671

...AL CHAIN STORES CO., LTD.
...corporation),
Petitioner,
vs.
...IONAL NUT COMPANY OF CALIFORNIA
...corporation),
Respondent.

BRIEF FOR RESPONDENT.

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In the Supreme Court
OF THE
United States

OCTOBER TERM, 1939

No. 671

SONTAG CHAIN STORES CO., LTD.
(a corporation),
Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA
(a corporation),
Respondent.

BRIEF FOR RESPONDENT.

A writ of certiorari having been granted in the above entitled cause, respondent respectfully submits the following argument and authorities, supplementing respondent's reply brief heretofore filed in opposition to petitioner's petition for said writ.

THE ISSUE IS CONFINED TO THE QUESTION OF "INTERVENING RIGHTS".

At the outset, it is submitted that the only issue to be passed upon in this proceeding is whether or not the petitioner (defendant in the trial court) has acquired "intervening rights" with respect to respondent's reissue patent No. 20,024 such as to preclude the enforcement of the rights granted to respondent by said patent. In its order made following the submission of the causes, the trial court stated (R. 88):

> "Upon the trial the suits were submitted by stipulation upon two issues:
>
> (1) Did the acts of defendant complained of constitute an infringement of the Kohler design patent No. 89,347?
>
> (2) Did defendant acquire intervening rights with respect to reissue patent No. 20,024 which, in equity, plaintiff may not now disturb?"

In its Final Decree (R. 95-6) the trial court ordered, adjudged and decreed:

> "(2) That with respect to Kohler Reissue Letters Patent No. 20,024 in suit, this defendant and those in privity with it, including the manufacturer of the machine in question, acquired intervening rights which in equity plaintiff may not now disturb."

On appeal, the U. S. Circuit Court of Appeals for the Ninth Circuit affirmed the trial court with respect to its holding of non-infringement of the Kohler design patent No. 89,347, and no question with regard to that issue is before this court. As to the second issue, relating to reissue patent No. 20,024, the Circuit Court of Appeals restated the question (R. 290) as follows:

"We must take the question to be decided as this: Does the acquisition and use by defendant of an admittedly infringing device for a period of less than two years between the date of plaintiff's original patent and the date of plaintiff's application for a broadened reissue, (assuming a valid reissue patent), without knowledge of or reliance upon the scope of plaintiff's original patent, constitute intervening rights which will serve as a defense to a suit for infringement, and if so, does the immunity from suit extend beyond the date of the reissue?"

and held (R. 310):

"The defense of intervening rights is denied."

In its reasons relied upon for allowance of the writ of certiorari prayed for, petitioner has assigned as its first reason (Petition, page 7):

"1. The matter of intervening rights in relation to the broadened claims of a reissue patent presents important and difficult questions of Federal law which have not been but should be decided by this Court."

The second reason assigned, namely, "conflict with the law as formulated by the other Circuit Courts of Appeals" (Petition, page 8), relates to decisions alleged to bear on the subject of "intervening rights".

From the foregoing it is believed to be clear that the sole question now before this court is whether or not petitioner individually has acquired "intervening rights" such as to estop respondent from enforcing its reissue patent rights against petitioner.

THE "DOCTRINE OF INTERVENING RIGHTS" PRESUPPOSES A VALID REISSUE PATENT.

The so-called defense of "intervening right" rests on a theory that notwithstanding the validity, as to the public at large, of a reissue patent upon which a suit is based, and notwithstanding the infringement of such patent by the defendant sued, yet because of the particular facts of the case the defendant has acquired a separate right, personal unto himself, in derogation of the patent owner's right, and which cuts athwart and lessens the rights granted by the reissue patent in suit. The defense is distinct from a defense involving the validity of the reissue patent in suit, since if the patent is invalid for any reason whatever, it is unenforceable against any defendant, and no "intervening right" personal unto the defendant is necessary to exempt the defendant from liability for infringing the patent. That point is controlled by the decision of this court in *White v. Dunbar*, 119 U. S. 47, 7 S. Ct. 72, where *Mr. Justice Bradley* states (at page 52):

> "We attach no importance to the fact that between the date of the original patent and the application for the reissue, the patent to Pecor and Bartlett was granted. It is, indeed, quite apparent that the appellees applied for a reissue in consequence of that patent, and in order to prevent the canning of shrimps under it. The circumstance that other improvements and inventions, made after the issue of a patent, are often sought to be suppressed or appropriated by an unauthorized reissue, has sometimes been referred to for the purpose of illustrating the evil consequences of granting such reissues; but it *adds nothing* to their *illegality*. That is deduced from general principles of law as applied to the statutes authorizing reissues, and affecting the rights of the government and the public."

"It is only when a defendant claims some special privilege in derogation of a valid reissue patent that the defense of "intervening right" can arise. Such a defense is usually the last resort of the infringer faced with a suit based upon a patent which he has clearly infringed and the validity of which he has no hope of defeating. Such is the situation here presented. Infringement of respondent's reissue patent claims, if valid, has been admitted. (R. 110; noted by C. C. A., R. 311.) The Circuit Court of Appeals has fully considered all defenses raised with respect to the validity of the patent; and has held the Köhler reissue patent in suit valid. (R. 324.) Petitioner's sole remaining hope is to convince this court that it is exempt from the valid rights owned by respondent by reason of particular facts of this case, allegedly giving rise to an estoppel, barring the enforcement of respondent's reissue patent against petitioner.

THE DOCTRINE OF "INTERVENING RIGHTS" HAS NEVER BEEN AUTHORITATIVELY ESTABLISHED OR DEFINED.

The doctrine of "intervening rights" is a nebulous one which has never been authoritatively established or defined. The decisions in which the term appears, and the manner in which the "doctrine" has been applied, vary widely in accordance with the varying facts involved in the various cases. With perhaps a few rare exceptions based upon unusual facts peculiar to the particular cases where they occur, the decisions in which "intervening rights" are referred to have hinged upon some other point, such as validity or infringement; and the matter of "inter-

vening rights" has been mentioned only incidentally, as dicta or as an excuse for resolving doubt against the patentee in a close case. Just how, or under what circumstances, or to what extent, if at all, a party may acquire "intervening rights" in derogation of the rights validly granted to a reissue patentee under the patent laws, has never been judicially determined.

As a matter of fact, the decisions of this court point compellingly to the conclusion that no private "intervening right" can arise with respect to a valid reissue patent; and it is submitted that the existence of a private "intervening right", such as petitioner alleges it has acquired in the present case, is precluded by the decisions of this court.

The question roots back into the fundamental law governing the grant of patents as it existed even before there was any statutory authority for the granting of reissue patents. The earliest decision of this court on the subject of reissue patents was in the case of *Grant v. Raymond*, 6 Pet. (31 U. S.) 218, 8 L. Ed. 376 (1832), decided prior to the enactment of the earliest reissue statute. (Patent Act of July 3, 1832, Sec. 3.) In that case this court held that a reissue patent could properly be granted, even without a statutory provision; and in that regard *Mr. Chief Justice Marshall* in delivering the opinion of the court stated (at page 243):

> "It has been said that this permission to issue a new patent on a reformed specification, when the first was defective through the mistake of the patentee, would change the whole character of the act of Congress.
>
> "We are not convinced of this. The great object and intention of the act is to secure to the public the ad-

vantages to be derived from the discoveries of individuals, and the means it employs are the compensation made to those individuals for the time and labor devoted to these discoveries, by the exclusive right to make, use and sell, the things discovered for a limited time. That which gives complete effect to this object and intention, by employing the same means for the correction of inadvertent error which are directed in the first instance, cannot, we think, be a departure from the spirit and character of the act.

"An objection much relied on is, that after the invention has been brought into general use, those skilled in the art or science with which it is connected, perceiving the variance between the specification and the machine, and availing themselves of it, may have constructed, sold and used the machine without infringing the legal rights of the patentee, or incurring the penalties of the law. The new patent would retroact on them, and expose them to penalties to which they were not liable when the act was committed.

"*This objection is more formidable in appearance than in reality.* It is not probable that the defect in the specification can be so apparent as to be perceived by any but those who examine it for the purpose of *pirating* the invention. They are not entitled to much favor."*

The doctrine of *Grant v. Raymond* was reaffirmed after the enactment of the first reissue statute in the case of *Shaw v. Cooper* (1833), 7 Pet. 292, 8 L. Ed. 689, where (at 315) *Mr. Justice McLean* says:

"That the holder of a defective patent may surrender it to the Department of State and obtain a new one which shall have relation to the emanation of the first, was decided by this court at the last term in the case of *Grant et al. v. Raymond* (6 Peters, 220). The *Chief Justice*, in giving the opinion of the court,

*Emphasis throughout may be deemed ours, unless otherwise indicated.

says: 'But the new patent, and the proceedings on which it issues, have relation to the original transaction. The time of the privilege still runs from the date of the original patent. The application may be considered as appended to the *original* application; and *if the new patent is valid, the law must be considered as satisfied if the machine was not known or used before that application.*'

"As this decision must be considered as settling the construction of the patent laws on this point, it is conclusive in the present case; and it is therefore unnecessary to examine the argument of the plaintiff's counsel, which was designed to lead to a different conclusion.

"The second patent being a continuation of the first one, *the rights of the plaintiff must be ascertained by the law under which the original application was made.*"

The decision in *Grant v. Raymond* was followed by the first reissue statute regulating the granting of reissue patents (Act of July 3, 1832, 4 Stat. at L. C. 162, Sec. 3, p. 559) and that statute as amended is still in effect. The amendments to the statute include the Patent Act of July 4, 1836, Sec. 13; Consolidated Patent Act of July 8, 1870, Sec. 53; The Revised Statutes (Act of June 22, 1874, Sec. 4916); and the amendment of May 24, 1928 (C. 730, 45 Stat. 732, 35 U. S. C. 64).

The "doctrine of intervening rights", as it is now commonly called, is supposed to have had its inception in the decision of the Supreme Court in the case of *Miller v. Bridgeport Brass Co.*, 104 U. S. 350, 26 L. Ed. 783. In that case, the reissue patent in suit had been granted with a broadened claim on an application filed some *15 years* after the grant of the original patent. After reviewing the statutory provisions the court held that a reissue patent

might properly be granted for the purpose of *broadening* the claim; and conceded that such reissues are valid. At the outset, the court held in that case that the reissue was *not* for the same invention, and in that regard stated:

> "It is not only *obviously a different thing*, but it is the very thing which the patentee *professed to avoid* and dispense with."

That statement really disposed of the case; but in discussing further grounds upon which the reissue patent in suit was *invalid*, the court considered the long delay of 15 *years* which had occurred before the reissue application was filed. In that connection the court drew an analogy to the two-year period of public use which will bar the grant of a valid patent, and held that delay in applying for a reissue *beyond* such *two-year period* should be construed equally favorably to the public. Such is the origin of the "two year" rule, which has since been repeatedly reaffirmed by this court; and it has become definitely established that a broadened reissue cannot be validly issued if applied for *more* than two years after the grant of the original patent, *unless* the delay is adequately explained and found to be excusable.

The *Miller v. Brass* case does not refer in any way to the question of "intervening rights". Only the *validity* of the reissue in suit was at issue; and *invalidity* was found, first because the reissue claim was drawn to a different invention, and incidentally also because of *laches* in the delay of *15 years* before the application for reissue was filed. Analysis of that decision clearly shows that, while the decision has been credited with originating the doctrine of intervening rights, no such doctrine was there

discussed or involved. Since the decision hinged solely upon the question of validity, the "doctrine of intervening rights" fails at its supposed source. Robinson in his treatise on the law of patents, in a footnote beginning page 300, Vol. 2, has analyzed the decision and has fully discussed its relation to the subject of "intervening rights".

Following the *Miller v. Brass* case, the two-year rule there laid down was reaffirmed and applied in the case of *Mahn v. Harwood*, 112 U. S. 354, 5 S. Ct. 174. In that case the application for reissue was delayed for nearly *four* years; and, as in the *Miller v. Brass* case, the patent was held to be *void*. No question of an intervening right acquired by the defendant was involved or passed upon; merely the *validity* of the patent in suit was in issue. Application for the reissue had been delayed so long that the right to receive a broadened reissue had been lost, and the patent was *invalid*. The limitation of two years and its analogy to the two-year period of public use was emphasized and reaffirmed.

The next leading case is that of *Topliff v. Topliff*, 145 U. S. 156, 12 S. Ct. 825. In that decision, this court reviewed some seventeen cases that had been passed upon involving reissue patents following the *Mahn v. Harwood* decision; and stated the following summary and conclusions (page 170):

> "From this summary of the authorities it may be regarded as the settled rule of this court that the power to reissue may be exercised when the patent is inoperative by reason of the fact that the specification as originally drawn was defective or insufficient, or the claims were narrower than the actual invention of

the patentee, provided the error has arisen from inadvertence or mistake, and the patentee is guilty of no fraud or deception; but that such reissues are subject to the following qualifications:

"First. That it shall be for the same invention as the original patent, as such invention appears from the specification and claims of such original.

"Second. That due diligence must be exercised in discovering the mistake in the original patent, and that, if it be sought for the purpose of enlarging the claim, the *lapse of two years* will ordinarily, though not always, be treated as evidence of an abandonment of the new matter to the public *to the same extent that a failure by the inventor to apply for a patent within two years from the public use or sale* of his invention is regarded by the statute as conclusive evidence of an abandonment of the patent to the public.

"Third. That this court will not review the decision of the commissioner upon the question of inadvertence, accident or mistake, unless the matter is manifest from the record; but that the question whether the application was made within a reasonable time is, in most, if not in all, such cases, a question of law for the court."

Of the seventeen cases reviewed in the *Topliff v. Topliff* decision, not one involves the question of a supposed "intervening right" acquired by an individual defendant in derogation of the rights granted by a *valid* reissue patent. In all but two of the cases discussed, there was a delay of more than two years before applying for the reissue involved in the respective suits; and the patents were held invalid under the *two-year* rule. In the other two cases (*Parker & W. Co. v. Yale Co.*, 123 U. S. 87, 8 S. Ct. 38; and *Coon v. Wilson*, 113 U. S. 268, 5 S. Ct. 537), the delay was less than two years; but in both cases, the reissue patents in suit were held *invalid*, because the new reissue

claims were drawn to a *different invention* than that of the original patent. No question of "intervening right" was raised in either case; and neither defendant pleaded such a defense. The outcome in either case would have been the same; whether the defendants had begun their infringement before or after the application for reissue. The reissue patents were *invalid,* and hence could not be infringed at any time, or by any party.

It is probable that language appearing in the *Topliff v. Topliff* decision, not necessary to the actual decision of the court, and unrelated to the facts of the decisions reviewed by the court in rendering its decision, has given rise to the *inference* that "intervening rights" may accrue. The "doctrine of intervening rights" has in all probability developed from such inference. Thus, the court states (page 171):

> "To hold that a patent can never be reissued for an enlarged claim would be not only to override the obvious intent of the statute, but would operate in many cases with great hardship upon the patentee. *The specification and claims of a patent,* particularly if the invention be at all complicated, constitute one of the *most difficult legal instruments to draw with accuracy;* and, in view of the fact that valuable inventions are often placed in the hands of inexperienced persons to prepare such specifications and claims, it is no matter of surprise that the latter frequently fail to describe with requisite certainty the exact invention of the patentee, and err either in claiming that which the patentee had not in fact invented, or in omitting some element which was a valuable or essential part of his actual invention. Under such circumstances, it would be manifestly unjust to deny him the benefit of a reissue to secure to him his actual invention, provided it is evident that there has been a mistake, and he has been guilty of no want of reasonable diligence in dis-

> covering it, and no third persons have in the meantime acquired the right to manufacture or sell what he had failed to claim. The object of the patent law is to secure to inventors a monopoly of what they have actually invented or discovered, and it ought not to be defeated by a too strict and technical adherence to the letter of the statute, or by the application of artificial rules of interpretation."

The proviso so stated by the court has undoubtedly given rise to much, if not all, of the confusion which now exists with respect to the question of intervening rights. Yet there is no real cause for such confusion. This court merely recognized that circumstances *might* arise by which a third party *might* acquire an independent personal right with respect to the subject matter of the reissue; but the court has made no effort to define *how, when,* to *what* extent, or with respect to *whom,* such right could arise. In other words, the court did not shut off the *possibility* of such a right, but made *no effort to define or limit the nature or extent of such right.*

The decision in *Topliff v. Topliff* therefore affords no authority whatever for the so-called doctrine of "intervening rights". Where, as in the cases discussed in that decision, the reissue is *invalid,* it is unenforceable against *anyone;* and the subject matter of the patent passes to the public. An "intervening right" runs only to an *individual* party who acquires such right, and *presupposes* a *valid* patent right which is enforceable against all who have not acquired such "intervening right". This distinction is expressly noted in one of the decisions reviewed in the *Topliff* case, namely, *White v. Dunbar* above cited and quoted. (Page 4.)

In no case has this court given recognition to the doctrine of "intervening rights", nor has it extended the benefits of such a doctrine to any defendant. In fact the decisions of this court in which the point has been passed upon have been uniformly decided in favor of the patentee, and against the defense of "intervening right".

THE DECISIONS OF THIS COURT INDICATE THAT NO "INTERVENING RIGHT" CAN ARISE WITH RESPECT TO A VALID REISSUE PATENT.

As its primary reason for allowance of a writ of certiorari in this case, petitioner in its petition (page 7) alleged that "The matter of intervening rights in relation to the broadened claims of a reissue patent presents important and difficult questions of federal law which have not but should be decided by the court". This statement is refuted by the fact that this court has repeatedly passed upon the precise point; and in each case has decided the question against petitioner's contention.

As long ago as 1846, this court decided a case in which the question of intervening rights was squarely raised, and decided in favor of the reissue patentee. The case is that of *Stimpson v. West Chester Railroad Co.*, 4 How. 380, 11 L. Ed. 1020. In that case, the trial court charged the jury as follows:

> " 'It clearly appears that the defendants constructed their railroad with the plaintiff's curves in 1834, one year or more before the plaintiff's application for his renewed patent; consequently, they may continue its use without liability to the plaintiff.' "

This charge was held to be erroneous. *Mr. Justice McLean*, in delivering the opinion of this court, noted that charge, and after discussing the statutory provisions stated (page 402):

"The above proviso would seem to be susceptible of but one construction; and that is, that the patentee may sustain an action 'for any use or violation of his invention after the grant of the new patent'. Now, *it is plain that no prior use of the defective patent can authorize the use of the invention after the emanation of the renewed patent under the above section.* To give to the patent the fruits of his invention was the object of the provision; and this object would be defeated if a right could be founded on a use *subsequent* to the original patent and *prior* to the renewed one.

"The thirteenth section of the Act of the 4th of July, 1836, which remodeled the patent law in this respect, made no material change in the Act of 1832. The words in the latter act are: 'And the patent, so re-issued, together with the corrected description and specification, shall have the same effect and operation in law, on the trial of all actions hereafter commenced for causes subsequently accruing, as though the same had been originally filed in such corrected form, before the issuing out of the original patent.' Now; *any person using an invention protected by a renewed patent subsequent to the date of this act is guilty of an infringement, however long he may have used the same after the date of the defective and surrendered patent.*

"The Circuit Court relied upon the seventh section of the Act of the 3d of March, 1839, as sustaining their construction in regard to the use of the invention after the renewed patent. But that section has exclusive reference to an original application for a patent, and not to a renewal of it. *We think the court erred in their instruction to the jury above stated.*"

The same question arose and was passed upon by this court, and the case of *Stimpson v. West Chester Railroad*

was cited and followed, in the case of *Battin v. Taggert* (1854), 17 How. 77, 15 L. Ed. 37. In this case, *Mr. Justice McLean* delivered the opinion, and noted instructions given by the trial court to the jury as follows:

"1. That a description by the applicant for a patent of a machine or a part of a machine, in his specification, unaccompanied by notice that he has rights in it as inventor, or that he desires to secure title to it as patentee, is a dedication of it to the public.

"2. That such a dedication cannot be revoked, after the machine has passed into public use, either by surrender and reissue, or otherwise."

With regard to those instructions *Mr. Justice McLean* said:

"The above instructions, we think, were erroneous."

and after discussing the *Grant v. Raymond* case, the court continued:

"How much stronger is a case under the statute, which secures the rights of the patentee by a surrender, and declares the effect of the reissued and corrected patent. *By the defects provided for in the statute, nothing passes to the public from the specifications or claims, within the scope of the patentee's invention.* And this may be ascertained by the language he uses.

"In the case of *Stimpson v. The West Chester Railroad Co.*, 4 How., 380, it was held, that 'where a defective patent had been surrendered, and a new one taken out, and the patentee brought an action for a violation of his patent right, laying the infringement at a date subsequent to that of the reissued patent, *proof of the use of the thing patented, during the interval between the original and renewed patents, will not defeat the action.*' In the same case it

was also held, that the proceeding before the commissioner, in the surrender and reissue of a patent, is not open for investigation except on the ground of fraud. * * *

"* * * It is said with entire accuracy in the charge, in regard to the amended specification of the patent of 1849, that it 'described essentially the same machine as the former one did, but claimed, as the thing invented, the breaking apparatus only'. And this the patentee had a right to do. *He had a right to restrict or enlarge his claim, so as to give it validity and to effectuate his invention.*"

In both cases, the defendant, as here, had begun its infringing acts before the reissue patent in suit had been applied for; and in both cases this court reversed the trial court because of its error in instructing the jury that that fact gave the defendant any right in derogation of the valid reissue patent in suit.

Both cases arose prior to the "two-year" rule laid down in *Miller v. Brass Co.*, *Mahn v. Harwood*, and *Topliff v. Topliff*, supra, but that rule merely limits the time within which a broadened reissue patent may be *validly* granted without satisfactorily excusing a longer delay. If a broadened reissue is granted on an application filed more than two years after the grant of the original patent on which it is based (and without adequately excusing such delay), the reissue is invalid and unenforceable against *anyone*, regardless of whether the acts complained of are begun before or after the application for reissue. If however, the reissue patent is *validly* granted on application filed *within* the two year limit laid down by this court (or within a longer time when longer delay is adequately excused), the principles announced in *Stimpson*

v. West Chester Railroad Co. and *Battin v. Taggert*, above cited, apply with undiminished force.

Nor is the effect of the decisions of this court in *Stimpson v. West Chester Railroad Co.* and *Battin v. Taggert* affected by the fact that those decisions were rendered during a period before the reissue statute (Patent Act of July 4, 1836, Sec. 13) had been amended to its present form. The several amendments which have been made do not alter the original intent, nor materially change the effect of the statutory provisions. The original reissue statute, Act of July 3, 1832, Sec. 3, reads in part:

> "PROVIDED HOWEVER, That such new patent so granted shall, in all respects, be liable to the same matters of objection and defence as any original patent granted under the said first-mentioned act. But *no public use or privilege of the invention so patented, derived from or after the grant of the original patent*, either under any special license of the inventor, or without the consent of the patentee that there shall be a free public use thereof, *shall, in any manner, prejudice his right of recovery for any use or violation of his invention after the grant of such new patent as aforesaid.*" (Walker, 5th Ed. 887.)

The Act of July 4, 1836, Sec. 13, reads in part as follows:

> "And the patent, so reissued, together with the corrected description and specification, shall have the same effect and operation in law, on the trial of all acts hereafter commenced for causes subsequently accruing, as though the same had been originally filed in such corrected form, before the issuing out of the original patent." (Walker, 5th Ed. 897.)

The Patent Act of July 8, 1870, Sec. 53, amended the Act of 1836 to read in part as follows:

"And the patent so reissued, together with the corrected specification, shall have the effect and operation in law, on the trial of all actions for causes thereafter arising, as though the same had been originally filed in such corrected form; but no new matter shall be introduced into the specification, nor in case of a machine patent shall the model or drawings be amended, except each by the other; but when there is neither model nor drawing, amendments may be made upon proof satisfactory to the commissioner that such new matter or amendment was a part of the original invention, and was omitted from the specification by inadvertence, accident, or mistake, as aforesaid." (Walker, 5th Ed. 949. See R. S. Sec. 4916.)

As revised by the Act of May 24, 1928, the provision is substantially the same as in the Act of 1870, and reads:

"Every patent so reissued, together with the corrected specification, shall have the same effect and operation in law, on the trial of all actions for causes thereafter arising, as if the same had been originally filed in such corrected form; but no new matter shall be introduced into the specification, nor in case of a machine patent shall the model or drawings be amended, except each by the other; but when there is neither model nor drawing, amendments may be made upon proof satisfactory to the commissioner that such new matter or amendment was a part of the original invention, and was omitted from the specification by inadvertence, accident, or mistake, as aforesaid." (Sec. 64, Title 35, U. S. Code; R. S. 4916.)

The language of the Act of 1870 and of the present statute is merely a contraction of the phraseology of the early statute; and does not alter its effect. This is clearly evident from the substantially contemporary construction given the early statute in *Stimpson v. West Chester Railroad Co.* (see quotation page 14 above) and

Battin v. Taggert; and was so understood by Robinson who in his outstanding treatise on patents (Robinson on Patents) in that regard states:

> "Sec. 655. Re-issues under the Act of 1836.
>
> "The act of 1836 introduced into these provisions certain changes of phraseology, but no substantial variation either in the spirit or the meaning of the law. * * *" (Vol. 2, p. 298.)
>
> "Sec. 657. Re-issues under the Act of 1870 and the Revised Statutes of 1874.
>
> "Under the act of 1870 and the Revised Statutes, the law governing re-issues is the same as under the act of 1836. The phraseology of these later acts differs from that of the earlier in some unimportant respects, but it is evident that no intent to change the rules existed at the passage of these statutes, and that the language used was regarded as substantially identical with that of the former act." (Vol. 2, p. 311.)

The principles announced by this court in *Stimpson v. West Chester Railroad Co.* and *Battin v. Taggert* as applied under the reissue statute of 1836, apply with full force and effect to similar situations arising under the reissue statute as it now stands. The present case is on all fours with the *Stimpson v. West Chester Railroad Co.* case. In both cases, the suit was based upon a valid reissue, for infringement begun before application was made for reissue. In the *Stimpson* case, this court expressly held that the fact the defendant began its infringing acts prior to the reissue application did not give rise to any right to continue its infringement after the reissue patent was granted. The same rule applies in the present case.

The rule has been reaffirmed and applied as recently as 1917 in the case of *Abercrombie & F. Co. v. Baldwin,*

245 U. S. 198, 38 S. Ct. 104, *Mr. Justice McKenna* stating (p. 209):

> "To the contention that the Justrite Company, the manufacturing defendant, acquired rights before the reissue, we again may oppose the reasoning and conclusion of District Judge Mayer and their affirmance by the Circuit Court of Appeals. The learned judge said:
>
> "'It will be remembered that this company entered the field with its lamp at a time when the validity and scope of the Baldwin patent were still unquestioned and when after some five years of capable effort, the Baldwin lamp had created an extensive market. The Justrite Company took its chances, and, in view of the necessities of the situation, it is relieved of all accountability for the period to the granting of the reissue patent; but *when the reissue statute was granted the Justrite Company again took its chances.*
>
> "'By the reissuance of the patent, the patentee loses all in the way of an accounting under the original patent, but *the dominant purpose of the reissue statute was to save to the inventor the future remaining after the reissue.*
>
> "'I see nothing in the course of plaintiffs or defendants which would allow a court of equity to conclude that defendants are to be relieved because of intervening rights.'"

Petitioner has attempted to distinguish the *Abercrombie & Fitch Co. v. Baldwin* case (Petitioner's Reply to Respondent's Reply Brief, footnote, p. 2) on the ground that the patent was not a broadened reissue and was granted on an application filed seven years after the grant of the original patent. This attempted distinction is without merit. Whether the patent was broadened or narrowed, it was held to be a *valid* reissue, which was infringed, while infringement of the original patent was

at least *highly* questionable. The fact that the defendant began its infringement before the application for reissue was applied for was expressly held to give rise to no right in the defendant in derogation of the patentee's validly granted reissue patent rights. Precisely the same principles apply in the present case.

SOME CONFUSION EXISTS IN LOWER COURT DECISIONS.

Answering petitioner's assertion (Petition, p. 8) that "results in the lower courts have not been uniform, and upon various points it is difficult, and indeed impossible, to reconcile the decisions of the various Circuit Courts of Appeal", respondent respectfully submits that whatever confusion exists is the result either of the peculiar facts of the cases decided, or of failure by the lower courts in all cases to note and apply the principles announced and uniformly applied by this court. The rule laid down by this court in *Stimpson v. West Chester Railroad Co.* in 1846, and consistently adhered to by this court since that date, if uniformly followed by the lower courts would have obviated whatever confusion there may now appear to be among the decisions of the lower courts.

Theoretically, every court should have in mind all of its own prior decisions, and those of its superior courts controlling its decision in any particular case. As a matter of practical values, however, no individual judge or group of judges can be expected to keep freshly in mind all such decisions, particularly as to points which rarely arise; and the crowded calendars and heavy burdens imposed upon the courts preclude an exhaustive in-

dependent analysis by the courts of all decisions which might relate to a specific question. As a consequence, some courts at times rely largely upon the law and authorities as cited and relied upon by counsel for the litigants. Where, as here, an issue is an obscure one rarely encountered, it is not surprising that in a few cases the controlling decisions of this court have not come to the attention of the lower courts in reaching their decisions. Such isolated cases, where controlling authorities have been overlooked by both the court and counsel, may give rise to an apparent lack of uniformity of decision; but they in no way diminish the weight of the controlling decisions which should have been followed.

In the case of *Keller v. Adams-Campbell Co.*, cited by petitioner, this court recognized that the views of the Circuit Courts of Appeals were not easy to reconcile. In that case, certiorari was granted improvidently on the representation that the case involved the question of "intervening rights". However, on going into the matter, the court found that the case did *not* raise the question of "intervening rights" and dismissed the writ. (264 U. S. 314.) Reference to "intervening rights" appearing in the decision of the Circuit Court of Appeals there involved (287 Fed. 838) was correctly treated as mere dicta. There is nothing to indicate that this court, in granting certiorari in the *Keller v. Adams-Campbell* case was not fully aware of the occasional departures of the lower courts from the principles previously announced by this court, and the writ granted for the purpose of reaffirming those principles for the future guidance of the lower courts.

This court again granted certiorari in the case of *General Refractories Co. v. Ashland Fire Brick Co.*, but the writ was dismissed on motion of counsel for the petitioner. (278 U. S. 662; 49 S. Ct. 7.) In that case, the trial court (15 F. (2d) 215) made a remarkably full and careful analysis of the whole question of "intervening rights" and of a large number of the decisions relating to the subject; and arrived at the conclusion that *no "intervening right" could arise* with respect to a valid reissue patent. It is submitted that the trial court reached a correct conclusion; and that its studied analysis of the principles here involved as appearing in its decision merits the serious consideration of this court. On an appeal of that case, the Circuit Court of Appeals, Sixth Circuit (*Ashland Fire Brick Co. v. General Refractories*, 27 F. (2d) 744), declined to go quite so far as the trial court in denying that "intervening right" may arise; and in reversing the District Court decision held (p. 746):

> "• • • that, *because* the claims of the original patent were limited as to the form of conveyor, and because *after the issue* of the original patent and *with knowledge* of it and *expressly appreciating its limited character*; indeed, *being governed therein by the advice of patent counsel*, the defendant built a nonin fringing brick-machine, and still before the reissue application another one, *at a substantial expense*, and put them into commercial use on a large scale by extensively selling their product, and thus made them *substantially material to its manufacturing business, the defendant thereby acquired at least a right to continue to use these two machines as if it held a license therefor under the reissued patent. The case does not require any further definition of that right.*"

It does not appear that the Circuit Court of Appeals in deciding the *General Refractories v. Ashland Fire*

Brick case had had its attention directed to the *Stimpson v. West Chester*, *Battin v. Taggert*, or *Abercrombie v. Baldwin* cases above referred to. It is believed that, had the court considered those decisions, the decision of the trial court would have been affirmed. As it is, the decision is confined to a holding that because it had expended substantial sums in definite reliance upon the original patent, the defendant was at least entitled to continue its use of two machines built by it before the reissue application.

In the present case, petitioner acquired and used a single inexpensive machine without knowledge or reliance upon respondent's original patent; and the Circuit Court has correctly held that no estoppel can arise under the facts of this case, such as was found to arise in the *General Refractories v. Ashland* case.

THE PRESENT DECISION IS NOT IN CONFLICT WITH OTHER DECISIONS.

The cases cited and relied upon by petitioner in its petition for a writ of certiorari as in conflict with the decision here involved may be disposed of very briefly. Thus, the *H. W. Roos Co. v. McMillan* case (64 F. (2d) 568) rests squarely upon the *validity* of the reissue patent there in suit. The reissue patent was held to be invalid. It was *not* held that the defendant had acquired an "intervening right". The invalidity of the patent extended to the public as a whole. Invalidity was based upon what the court regarded, on the particular facts of that case, as an unreasonable delay, coupled with the absence of a

showing of inadvertence, accident or mistake. Thus (at page 570) the court states:

> "We note also that there was no showing that the narrowness of the claims arose from mistake in framing them * * *, or that either the patentee or his solicitor 'without intending to do so, drafted or accepted claims not commensurate with the invention'."

As above pointed out, the present case is before this court on the question of "intervening rights"; and the Circuit Court of Appeals has expressly held respondent's reissue patent in suit to have been validly granted. The defense of "intervening rights" upon which petitioner has asked this court to pass, being distinct from the defense of invalidity sustained by the Circuit Court of Appeals in the *Roos v. McMillan* case, there is no conflict between the two decisions on the facts, or in the principles involved.

The *Autopiano Co. v. American Player Action Co.* (222 Fed. 276) is based upon facts bearing no similarity to the facts of the present case. There a reissue was secured *six* years after the grant of the original patent, in which broad claims of the original patent were deliberately omitted. Later, a second reissue was secured, reclaiming the claims omitted from the first reissue. The omission of the claims in the first reissue constituted an express abandonment of those claims. The defendant relied upon such express abandonment, and for that reason was held to be freed from the second reissue patent, notwithstanding the fact that the second reissue was held valid as to the public at large. The facts of the case are unique; and the principles there involved differ from those ap-

plicable to the present case so widely that, it is submitted, there is no conflict between the decisions; otherwise the decision would be contrary to the rule announced by this court in *Stimpson v. West Chester Railroad Co.*

The third case relied upon by petitioner in its petition, namely, *Wichita Visible Gasoline Pump Co. v. Clear Vision Pump Co.* (19 F. (2d) 435), mingles a holding of invalidity with a holding of non-infringement. At page 438 the court states:

> "In the case at bar it is evident that the narrowness of the original claim was not brought about by accident, inadvertence, or mistake, nor was the specification defective or insufficient, and the patent inoperative."

and at the conclusion of the same paragraph states:

> "For this reason we think appellants' device does not infringe the claims of the reissue patent."

To the extent that, in the *Wichita* case, the reissue was granted without a proper showing of accident, inadvertence or mistake in the grant of the original, the new reissue claims were *invalid*, and no issue of "intervening rights" arose. Likewise, the holding of non-infringement does not involve an "intervening right". It is submitted that the court's ruling of invalidity and non-infringement in the *Wichita* case presents no conflict with the holding of validity and infringement, and the *absence* of "intervening right" in the case now before this court, because of material differences in the facts and the principles of law applied thereto.

Neither the *Roos v. McMillan* nor the *Wichita v. Visible* decision decides a question of "intervening right" since

both cases rest upon a holding of invalidity or non-infringement, just as in the *Keller v. Adams-Campbell* case which this court dismissed after first granting certiorari.

The facts of the *Autopiano v. American Player* case are so unique, and so unlike the facts of this or any other case that has been reported, that it is believed to present no conflict with the present decision, and is to be treated either as one of those rare exceptions which the decision of this court in *Topliff v. Topliff* contemplated might arise, or as a case inadvertently decided without benefit of the guiding principles announced in *Stimpson v. West Chester Railroad Co.* and *Battin v. Taggert.* The incident that the District Court of the Second Circuit has accepted the decision of the Circuit Court of Appeals in the *Autopiano* case as controlling its later decisions in other cases where the question of "intervening rights" arose is of no consequence, since those decisions are contrary to the principles announced by this court, and were made without apparent reference to the controlling decisions of this court.

RESPONDENT HAS NOT COMMITTED LACHES.

Petitioner has confused its defense of "intervening right" with the defense of invalidity of a reissue patent resulting from laches in making application therefor. As above pointed out, an "intervening right" by definition and by logic, means only an individual right in derogation of a *valid* patent right. If for any reason a reissue patent is invalidly granted, the rights of the entire public

are affected, and the question of "intervening right" by an individual defendant does not arise. Thus, where a reissue patent is rendered invalid because of laches in making application, it is not because individual rights have intervened, but because the patentee has been negligent in perfecting the right to which he would otherwise be entitled. That point is aptly stated in the extract from the decision in *White v. Dunbar* above quoted on page 4.

The Patent Office and the Circuit Court of Appeals are in agreement that respondent was entitled to the grant of its reissue patent in suit; and the Circuit Court of Appeals has expressly held the reissue patent valid. It is only the element of "intervening right", upon which petitioner has based its petition for certiorari in this case, that distinguishes it from the ordinary patent case decided upon a question of validity or infringement which this court ordinarily declines to review unless the decision is in conflict with the decisions of other Circuit Courts of Appeal involving the same patent. It is therefore submitted that, for purpose of this review, respondent's reissue patent should be regarded as valid; and that there need be considered only the question of the private "intervening right" claimed by petitioner in derogation of respondent's reissue patent, as distinguished from invalidity because of laches. On that point, it is submitted that the principles and authorities above discussed point conclusively to an affirmance of the decision of the Circuit Court of Appeals.

However, since petitioner has referred to the matter of laches, respondent (without admitting that the point

is material to the question now before this court) respectfully submits that the facts of this case do not support petitioner's charge of laches.

The original Kohler patent No. 1,958,409 was granted upon May 15, 1934. Respondent's president, Mr. Love, who had had no previous experience in securing a patent, handled all correspondence in connection with the original Kohler application with his patent solicitor Schroeder. (R. 107.) Love erroneously thought Schroeder was an attorney-at-law; and notice of infringement was served on petitioner upon Schroeder's recommendation. (R. 106.) After the suit was brought, Love for the first time took the matter up with Mr. Charles S. Evans, of counsel herein, on whose recommendation application for reissue was promptly filed. (R. 106.) The application was prepared in San Francisco and sent to New York where it was executed by Kohler upon January 13, 1936 (Plf's. Ex. 4, offered in evidence at R. 100-1), the same day that petitioner's first answers to respondent's interrogatories were served and filed in San Francisco. (R. 74.) The application included a proper oath in which the facts relied upon as grounds for seeking the reissue were fully set forth (Plf's Ex. 4); and in due course the reissue patent here involved was properly granted. The application was filed promptly upon discovery of the grounds for reissue, and well within the two year limit prescribed by the decisions of this court (for example, *Topliff v. Topliff*, supra).

Upon allowance of respondent's reissue patent, motion was promptly made for leave to file an amended and supplemental complaint alleging the facts with respect to the

reissue patent. The trial court denied respondent's motion in so far as it involved the new claims of the reissue patent. (R. 17.) A second complaint alleging infringement of the new reissue claims was therefore filed; and the two suits were consolidated for trial. (R. 84.) Petitioner was on notice of respondent's reissue patent from the date of its notice of motion, June 26, 1936 (R. 92); and to all intents and purposes the two suits constituted a single proceeding from that time forward. There is nothing in the record to suggest that respondent at any time acted otherwise than diligently and in good faith in securing and enforcing the valid patent rights granted to it under the patent laws.

The decision of the Circuit Court of Appeals (R. 289) correctly states that "The burden of proving a defense of laches or estoppel is upon the defendant" (authority cited); and properly held that the defendant-petitioner had failed to sustain that burden. Since petitioner admittedly did not know of respondent's original Kohler patent until notice of infringement was served on October 9, 1935 (R. 77), six months after it acquired its infringing machine, petitioner was in no way prejudiced by the fact that respondent did not sooner discover the partial inoperativeness of the Kohler original patent which prompted the application for reissue. As announced by this court in *Topliff v. Topliff*, supra, it is only when application for reissue is delayed more than two years that it can be presumed to be unreasonably delayed. When as here application for reissue is filed within the two-year period, and the patent is reissued upon such application, it carries the usual presumption of validity. Here, to the

presumption of validity resulting from the issuance of respondent's reissue patent by the Patent Office, is added the express ruling of the Circuit Court of Appeals that the reissue has been validly granted; and that the petitioner failed to overcome that presumption.

RESPONDENT'S REISSUE PATENT IS SUPPORTED BY PUBLIC POLICY.

The two-year rule of *Miller v. Brass, etc.*, was arrived at by analogy with the statutory provisions and public policy relating to public use as a bar to the grant of a valid patent, 35 USCA Sec. 31; R. S. Sec. 4886. By recent amendment effective only as to applications filed after August 5, 1940, the period of public use of an invention which will bar the grant of a valid patent has been reduced from two years to one year. That amendment has no effect upon the present case. Under the statute as it existed up to the amendment of August 5, 1939, and as it applies to all patents issued on applications filed prior to August 5, 1940, the incident that an invention had been publicly used by others for a period less than *two* years prior to the filing of a patent application does *not* impair the inventor's right to secure a valid patent for his invention.

In enacting the patent statutes, Congress properly recognized that it is a matter of public interest to encourage progress and invention by rewarding inventors by the grant of exclusive rights to their inventions for a limited time. Also, Congress recognized that a reasonable time is required for an inventor to prove up and perfect his

invention; and the two-year period of public use required to bar the grant of a valid patent protects the inventor during that period from loss of his rights, either by dedication or abandonment to the public, or by appropriation by individuals. Within the two years of permissible public use, the inventor has had an inalienable right to apply for and secure a patent for his invention. The inventor may work right up to the end of the two-year period in adapting his invention to the conditions encountered in the practical application of his invention without loss of right; and a patent issued on an application so filed is not impaired by the incident that others may have taken up the use of the invention within that two-year period and before the application was filed. Such has been the public policy; and its wisdom is amply demonstrated by the remarkable progress and discoveries which inventors have made during the past century.

The reissue statute was expressly intended to protect inventors from loss of their rights due to inadvertence, accident or mistake in the securing of an original patent. Here again, public policy has recognized the justice of according to patentees the fair measure of reward to which a patentee is entitled, rather than to penalize the inventor for any inadvertence, accident or mistake occurring during the prosecution of his invention. In applying the two-year rule to the case of a reissue patent, it is believed that this court was motivated by the same principles that caused Congress to save the inventor's rights for a period of two years, namely to give the inventor a reasonable time to ascertain the practical effectiveness of his patent and the manner in which it is to be interpreted.

If, as is the fact, an innocent party independently practicing an invention for less than two years prior to the application for an original patent, may find himself cut off from the practice of the invention by the issuance of a patent of which he had no knowledge, regardless of the good faith with which he entered upon his project and the expense which he has incurred in connection therewith, there is no reason in law or in logic why the rule should be relaxed in the case of reissue patents. Of the two, equity would seem to favor the innocent user whose use preceded an application for an original patent. Where use of an invention precedes the reissue application, the user has at least constructive knowledge that another has made claim to the invention. If such user seeks to evade the patent while yet the right to secure a valid reissue continues, he must be held to do so at his own peril. (*Abercrombie v. Baldwin*, supra.) One who invades the field of a patented invention in reliance, real or otherwise, upon supposed limitations recited in the claims of an original patent, while it is still subject to valid reissue, is certainly entitled to less sympathy than the one who innocently invades the field of an invention before acquiring knowledge that any application has been filed.

Petitioner has suggested that the issuance of a patent with claims which, by inadvertence, accident or mistake, have been unnecessarily limited constitutes a dedication of the invention to the public as to all embodiments outside the scope of the claims as originally granted. Such a rule would be entirely contrary to the intendment of the reissue statute, and the public policy which it expresses. Reissues are intended to secure for the patentee the bene-

fits of an invention where the original patent is ineffective for that purpose. Having disclosed the invention and rendered it available to the public for unrestricted use after the expiration of the patent, the inventor has given to the public the full measure of the consideration for which the patent is granted. So long as the right to perfect that patent continues, there can be no dedication of the invention to the public, either during the two years of public use permitted before application for an original patent, or during the two years permitted for an application for a broadened reissue. (*Topliff v. Topliff*, supra.)

Certainly no such dedication is to be presumed to accrue to the advantage of an infringer who deliberately adheres to a course of infringing conduct with knowledge that the patentee is seeking to restrain such conduct. As a matter of public policy, one who properly avails himself of the privileges of securing letters patent, original or reissue, as respondent had done in this case, is believed to be clearly entitled to prevail over the infringer who deliberately seeks to evade the terms of the claims of an original patent in the hope that the patentee will not be able to establish or perfect the rights contemplated by the reissue patent.

In the present case, respondent's invention met with immediate commercial success. Prior to the introduction of respondent's machine, salted nuts had been sold in but few stores; and were a relatively uncommon commodity. Since the introduction of the Kohler machine (and because of it), the sale of the commodity has been very greatly extended; and salted nuts are now an every day commodity available to the public in fresh heated condition in

a great number and variety of stores. The public is enjoying the advantage of vastly increased availability of a desirable commodity resulting from respondent's patented invention. In return, public policy should extend to respondent the benefits of respondent's invention during the life of the patent here involved.

The theory which petitioner has advanced is directly opposed to the fundamental theory on which patents, original or reissue, are granted. Instead of rewarding the patentee by the grant of a patent effectively securing the patent rights for an invention, petitioner's theory would favor the resourceful infringer who is quick to ferret out and take advantage of defects in an original patent. This circumstance that a resourceful copier might discover a way of evading a defective patent more quickly than the patentee might discover the defect in his patent which makes such evasion possible, should not in equity be permitted to reward the infringer by extending to him a right in derogation of the patent (without benefit to the public as a whole), at the expense of the patentee who has taken appropriate and timely steps to protect the invention by reissue or otherwise.

THE ELEMENTS OF ESTOPPEL ARE ABSENT FROM THIS CASE.

If the defense of "intervening right" can be sustained in any case, it can only be by virtue of the doctrine of estoppel. The elements necessary to give rise to an estoppel are not present in this case; and the Circuit Court of Appeals has so held. (R. 310.) Estoppel has been aptly defined as follows:

> "'The following elements must be present in order to constitute an "estoppel" by conduct: (1) There must have been a *representation* or *concealment* of material facts. (2) The representation must have been made with *knowledge* of the facts. (3) The party to whom it was made must have been *ignorant* of the matter. (4) It must have been made with the *intention* that the other party would act upon it. (5) The other party must have been *induced* to act upon it.'" Words & Phrases, 2nd Series, p. 337 (supported by a long list of authorities).

In the present case, the following essential elements of an estoppel are lacking:

(1) *Knowledge* on the part of *respondent* of the defects and partial inoperativeness of respondent's original patent No. 1,958,409 at the time it was issued; and at the time suit was originally brought thereon.

(2) *Knowledge* on the part of *petitioner* of respondent's original patent No. 1,958,409.

(3) *Reliance* by petitioner upon supposed limitations of respondent's original patent No. 1,958,409.

(4) *Intent* upon the part of respondent to mislead petitioner.

(5) A change in position by petitioner *induced by* the conduct of respondent.

Petitioner acquired and used its infringing machine without knowledge of respondent's original patent. Respondent did not know of any defect or insufficiency in its original patent; and believed in the sufficiency of its patent even to the extent of bringing suit thereon. When notice of infringement was served and suit was brought by respondent, petitioner was advised that respondent

claimed patent rights covering the machine so acquired and used by petitioner; and that those rights were to be asserted against petitioner. Petitioner, by continuing its infringing practice in the face of respondent's notice and suit, made no change in its position; but proceeded at its own risk, in disregard of respondent's asserted right, and its statutory right to secure a reissue. Having brought suit against petitioner, it was to be presumed that respondent would exercise every right properly available to it, including the right to secure a reissue. Certainly petitioner was given no reason for believing that respondent would abandon its statutory right to secure a reissue; and since the right to secure a broadened reissue was still available to petitioner, there could be no dedication to petitioner or to the public during the period in which the right to apply for reissue could be properly made under the statute and the decision of this court prevailing at the time.

REPLY TO BRIEF FOR PETITIONER.

(On Writ of Certiorari.)

The brief filed in behalf of petitioner on the present writ of certiorari is an excellent example of argument which has generated uncertainty and confusion where neither should exist. It must be noted that petitioner's brief is marred by misstatements, assumptions, and implications, which respondent feels impelled to call to the attention of this court, although willing to assume they have arisen by inadvertence and mistake.

(1) Typical Errors in Petitioner's Brief Specifically Noted.

On page 4 of the brief, it is asserted that the thirteen additional claims of the Kohler reissue were framed to cover the machine being used by the petitioner. In support of that statement, petitioner refers to the findings of fact of the District Court. However, petitioner has failed to advise this court that there is not one shred of evidence to sustain that finding; and the Circuit Court of Appeals very properly ignored it. No denial of such finding by the Circuit Court of Appeals was required; and even if required, the reversal of the District Court is in itself a sufficient denial of the finding and its materiality. The claims are drawn to the applicant's invention; and were found allowable by the Patent Office. That they read on petitioner's machine is indicative of the machine's infringement, not of fault in the claims.

Again, on page 5, petitioner accuses respondent of "keeping the petitioner busy from December 16, 1935 to May 16, 1936 with interrogatories", but neglects to inform this court that it was petitioner's objections to answering respondent's proper interrogatories that consumed most of that time; and that the interrogatories were material to the cause stated in suit No. 3941-S as well as under the cause stated in suit No. 4133-S.

On page 12 of its brief, petitioner states that the "intervening user in this case acted in good faith on a dedication to the public made by the patentee when he narrowly limited the field of his monopoly by the claims of the original patent". The contrary is true. Petitioner admittedly knew nothing of respondent's reissue patent until long after it took up the use of its infringing ma-

chine. (R. 77.) Moreover, the authorities above cited preclude a dedication to the public within the two-year period during which application for a broadened reissue is a matter of right. Similar statements, appearing at other points in the brief, as for example at the top of page 45, are similarly refuted.

At page 49, respondent asserts that "petitioner's position was completely changed by respondent's affirmative acts". The record shows that petitioner acquired and used its infringing machine *without* knowledge of respondent's patents (R. 77); and merely continued its use without in any way changing its course of conduct after receiving notice of respondent's patents, and after suit was brought; and this in defiance of respondent's notice of and suit for infringement. This fact answers petitioner's statement; also its criticism of the ruling of the Circuit Court of Appeals (as stated on page 50 of the brief) with regard to the absence of facts creating an estoppel.

In the same paragraph, petitioner asserts that respondent ultimately admitted that there was no infringement of the original patent. This statement is pure assumption. Respondent's election to rely upon a limited number of claims of the reissue patent (R. 86) certainly involves no admission that other claims, including the claims of the original patent, were not also infringed. The issues raised by other claims have not been passed upon by any court.

At page 51, petitioner asserts that Susu Nut Co. put machines of the accused type on the market during 1933, and cites R. 131, in support of that statement. The reference in the record is to a machine which was *not* motor

driven, and which obviously was not the machine complained of in respondent's suit.

At page 52, petitioner asserts that "Respondent did not see fit to look at the original patent when it was received". This contradicts the record. The Kohler reissue oath, printed as appendix B in petitioner's brief, pages 59-64, states (page 64, lines 5-7) the patentee's understanding "when he received and read his patent".

The foregoing examples are illustrative of inaccurate and misleading statements which appear in petitioner's brief, and could mislead this court. For that reason it is necessary to note and correct them here.

(2) Petitioner's Argument Briefly Discussed.

Petitioner's brief summarizes for this court the various theories and arguments which have been urged in the past in support of the "doctrine of intervening rights"; and which are reflected in the decisions of various courts in cases where the issue has arisen. The reluctance of the courts to accept those theories and arguments, the uniformity with which the courts have based their decisions upon other grounds, and the absence of any authoritative decision supporting petitioner's position, all combine to brand the "doctrine" as unsound and untenable.

The index of citations appearing at pages ii to vi of petitioner's brief constitutes an impressive tabulation of decisions and writings supposedly supporting petitioner's theories and argument. Here, as in most controversial matters involving a departure from the established order of affairs, the bulk of the literature written on the subject is the result of the efforts of the minority seeking to bring

about the change; or to explain or establish an innovation marking a departure from that which, by natural evolution through the years, has acquired general acceptance and approval. A detailed discussion of the numerous citations would needlessly lengthen this brief; and is deemed unnecessary for the reason that their fallacies are self-evident.

(3) The Patent System, Including Reissues, Is Founded Upon a Public Policy Which Has Withstood Attack.

In the very early years of our national government, it was recognized that it was a matter of public interest to encourage progress in the arts and sciences by granting patents to inventors for their inventions; and the patent statutes are founded upon that broad public policy. Yet, there has always been a minority opposed to the grant of patents; and much has been written condemning the grant of patents, and urging the repeal of the patent statutes. Notwithstanding such attacks, the public policy which gave rise to the growth of the patent system remains unshaken. The grant of patents has continued throughout the years as a matter of inestimable importance in the industrial and commercial development of the nation; and has been an important factor in the raising of the standard of living of the American workman. One has only to regard the revolutionary developments that have sprung into being during the present generation, for example, radio, the motion picture, the automobile, the airplane, and countless others, and the enormous fields of employment and business opportunity which they have created, to appreciate the wisdom of rewarding inventors for their achievements; and to recognize that the interest

of the public and of the common man in the orderly administration of the patent laws has been magnified rather than diminished during recent years. Invention provides a straight path along which the common man may advance to improve his station in life; and the rights of inventors progressing along that path should be carefully guarded.

Reissues, being of an exceptional nature,* have frequently been singled out for especially severe attack. Petitioner has studiously culled from the writings on the subject those extracts and isolated phrases which it finds most favorable to its present private interest, and which it hopes to force into the present case to change its real significance. The variety and erudition of petitioner's numerous quotations has little to do with and no sound application to the facts of this case. Petitioner has cited everything from Franklin's autobiography to Parezich and Fields treatise on Industrial Research, but has overlooked quoting Shakespeare. Respondent will rectify that omission by saying with Antonio: "The devil can cite scripture for his purpose." Here again the deep-rooted public policy which gave rise to the patent statutes, including the reissue statutes, has withstood the adverse criticisms of opponents of our patent system, as well as the futile effort of infringers to escape the consequences of their infringing acts.

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* The Official Gazette of the United States Patent Office, Vol. 512, No. 4, issued March 26, 1940, lists the highest numbered original patent as of that date as No. 2,195,392. The highest numbered reissue patent as of that date is No. 21,412. This indicates that less than 1 in 1000 original patents have been reissued. Of those that have been reissued, only a small percentage have been involved in litigation before the courts; and of these only a small percentage have involved a question of "intervening rights".

Within the limitations imposed by law, the right to secure a valid reissue patent is a vitally important adjunct to the right to secure an original patent; and it has been so recognized by Congress and by the courts for more than 100 years.

In discussing the origin of reissues, even before the first reissue statute of 1832, Robinson on Patents, Sec. 853, Vol. 2, page 295, states:

> "The principle on which this practice rested is easily discernible. The inventor, having a right under the law to a patent for his actual invention, and not having succeeded in obtaining such a patent by his first attempt, was entitled to make another application and receive a more perfect patent. But in doing this he was liable to be met by the objection that his invention had already gone into public use and that his right to any protection had been thereby lost. To avoid this objection the method of securing the same object by amending the original patent, was devised, to the mutual advantage both of the inventor and the public,—the inventor escaping the objection before mentioned, and the public becoming completely possessed of the invention at the expiration of the term of the original patent, instead of being compelled to await the passage of a new term dating from the issue of a later patent."

See also:

French v. Rogers (1851), 1 Fisher 133.

(4) The "Two-Year" Rule Has Effectively Prevented Abuse of the Reissue Privilege.

Abuses of the reissue privilege which arose during the early years of practice under the reissue statutes were effectively curbed by this court when, by its decisions in *Miller v. Brass*, *Mahn v. Harwood*, *Topliff v. Topliff*, and similar cases, it established the "two-year" rule. By cita-

tion of genuine abuses, and emphasis on phrases uttered with reference to those abuses, petitioner has implied that the present case is also one of abuse which should be rectified. It is to be noted however that the cited decisions turn on facts *not* here present.

The "two-year" rule of *Miller v. Brass*, etc. has been and still is accepted as a fully established principle of patent law. By that rule, two years' delay between the issuance of an original patent and an application for reissue thereof is ordinarily "treated as evidence of an abandonment of the new matter to the public *to the same extent* that a failure by the inventor to apply for a patent within two years from the public use or sale of his invention is regarded by the statute as conclusive evidence of an abandonment of the patent to the public". (*Topliff v. Topliff*, supra.) Circumstances *may* excuse a longer delay, but in general the language of the decision of this court in *Topliff v. Topliff* means that within such two-year period *no dedication* to the public can occur merely because of delay, just as (that is, "*to the same extent* that") *no abandonment* or loss of right can result from public use less than two years before the filing of an original application.

The rule so laid down by this court has been uniformly adhered to by it; and the rights of a reissue patentee under a validly granted reissue patent have been given full recognition. Petitioner admits that in no case has this court held that an individual may acquire a personal "intervening right" in derogation of the validly granted right of a reissue patentee. Instead, this court has uniformly held that *no* such "intervening right" can be ac-

quired. The question, first raised but unanswered in the case of *Grant v. Raymond*, was definitely answered in favor of the reissue patentee in *Stimpson v. West Chester* and *Battin v. Taggert*, before the two-year rule was announced; and in *White v. Dunbar* and *Abercrombie v. Baldwin* since that rule was announced.

The rights of a reissue patentee are as deeply rooted in the fundamental principles of our patent system as the rights of an original patentee; and so long as the reissue statutes remain in force, the rights conferred by a valid reissue patent are entitled to full recognition and enforcement by the courts.

(5) Recent Legislation May Be Assumed to Reduce the "Two-Year" Rule to a "One-Year" Rule as to Applications Filed After August 5, 1940.

Petitioner suggests that the two-year rule as announced in *Miller v. Brass*, and reaffirmed in *Mahn v. Harwood* and *Topliff v. Topliff*, has been outmoded; and that in this age of streamlined endeavor, two years is too long a time to allow a patentee to discover inadvertence, accident or mistake entitling him to secure a valid reissue. Even if that be assumed, the suggestion is fully answered by the act of Congress, August 5, 1939, C. 450, Sec. 1, 53 Stat. 1212; 35 U. S. C. A. Sec. 31, whereby the period of public use necessary to bar the grant of a valid original patent is reduced from *two* years to *one*. Congress in its wisdom has concluded that the quickened tempo of present day affairs has reduced to one year the time within which an inventor must make application for an original patent after public use of his invention has occurred. The analogy by which this court laid down the

"two-year" rule under the statute then (and now) in force will of course apply in like manner, and with like effect, to the reissue of patents under the amended law when it becomes effective. As to all patents granted pursuant to the recently amended statutory provisions, a like limitation of one year for making application for reissue seems inevitable. However, in so amending the statutory provisions, Congress has expressly provided that the amendment is effective only as to patents applied for *after* the effective date of the act, namely, August 5, 1940. The amendment, and the one year limitation prescribed thereby, has no effect upon patents applied for before August 5, 1940, and should have no effect by inference upon the present case.

If, as petitioner insists (but which respondent denies), the two-year rule has imposed hardship upon individuals seeking to evade original patents during the period in which a broadened reissue may be applied for, Congress has already acted to correct such alleged hardship. Until the amended law becomes effective, the law as it existed prior to the amendment controls, and should be enforced in accordance with the principles which have been uniformly applied by this court in the past.

(6) "Public Policy" Is Not Concerned With the Private Interests of an Individual Defendant Claiming an "Intervening Right".

Petitioner's effort to mask its flagrant invasion of respondent's patent rights, and to hide behind an alleged question of "public policy" and "public right", to avoid the consequences of its infringement of respondent's reissue patent, is transparently fallacious. It is not a "pub-

lic right" or "public interest" or "public policy" with which petitioner is concerned, but purely its own private interests. Petitioner began its infringing acts without knowledge of respondent's patent rights. Upon being notified of those rights, it elected to ignore them; and for purely personal reasons in no way affected by "public policy" persisted along its course of infringing conduct. In continuing its infringing acts after such notice, and even after suit was brought against it for infringement of respondent's patent rights, petitioner did so at its own risk. (*Abercrombie v. Baldwin*, supra.)

Petitioner, in its brief, has directed its argument for the most part to attacking the validity of respondent's reissue patent on an alleged (but unfounded) theory that the application for reissue is invalid because of alleged laches. However the fact remains, (1) that the application was filed well within the two year limit laid down by this court; (2) that the Patent Office held that the circumstances entitled respondent to the grant of the reissue here involved; and (3) that the Circuit Court of Appeals for the Ninth Circuit has affirmed the validity of the reissue, and has expressly held that the "burden of proving a defense of estoppel or *laches* is on the defendant" (R. 289), and that the petitioner has clearly failed to sustain that burden.

Petitioner's brief might carry some persuasion if directed to Congress in behalf of an amendment or repeal of the reissue statute. Before this court however, the argument evidences only an attempt to cause the *public interest*, which, under existing law as construed by this court, bars the grant of a valid broadened reissue on an application filed within the two year limit prescribed by

this court, to be confused with the *private interest* of an individual claiming a personal "intervening right" in derogation of a valid reissue patent by virtue of a course of conduct begun before the reissue application was filed, and without knowledge of the original patent upon which the reissue was based.

The public interest is concerned with protecting the right of the common man, who has made a meritorious invention, to secure effective patent protection for his invention as a reward for the contribution he has made to the general public welfare. That interest is certainly paramount to the private interest of an individual who by inadvertence, or by design, attempts to appropriate rights belonging to another. In such cases, the frustration and possible injury of the over-zealous appropriator of the inventor's rights is secondary to the public policy which is aimed at the preservation of the right in any proper case to correct a defective patent. The latter right should be jealously guarded for the benefit of all the great body of inventors who have contributed more than two million inventions to the advancement of the public welfare.

It is submitted that it is only the question of a private "intervening right" which is properly raised in the present proceeding; and that it was only for the purpose of deciding that disputed point that the present writ of certiorari was granted. On that point, the prior decisions of this court in *Stimpson v. West Chester Railroad*, *Battin v. Taggert*, *Topliff v. Topliff*, *White v. Dunbar*, and *Abercrombie v. Baldwin*, clearly hold against the acquisition of such a private "intervening right".

(7) The Decision of the Circuit Court of Appeals in This Case Is in Conformity With Public Policy and the Prior Decisions of This Court.

The Circuit Court of Appeals, in its decision here involved, has carefully considered the question of "intervening rights", and has summarized the principles involved. Under the rule laid down by *Topliff v. Topliff*, the two-year rule as related to reissue applications applies "*to the same extent*" as the statutory provision with respect to the two years (reduced to one year beginning August 5, 1940) required to bar the grant of a valid original patent; and under that rule, no dedication can occur within the two-year (presumably one year after August 5, 1940) period. With respect to the *Topliff v. Topliff* decision, the Circuit Court of Appeals states (R. 293):

> "It reiterated the two-year rule of the Brass Co. case, stating that the lapse of two years will ordinarily, though not always be treated as evidence of abandonment of new matter to the public *to the same extent* that a failure of an inventor to apply for a patent within two years from the public use or sale of his invention is regarded by the statute as conclusive evidence of an abandonment of the patent to the public."

With reference to the decision in *White v. Dunbar* the Circuit Court of Appeals had quoted, with emphasis (R. 306), that:

> "* * * *The circumstance that other improvements and inventions, made after the issue of a patent, are often sought to be suppressed or appropriated by an unauthorized reissue, has sometimes been referred to for the purpose of illustrating the evil consequences of granting such reissues; but it adds nothing to their illegality.* That is deduced from general principles of

law as applied to statutes authorizing reissues, and affecting the rights of the government and the public.' (Italics are by the Court.)"

Also, the Circuit Court of Appeals has quoted (R. 308) the reference made by this court to its decision in *Abercrombie v. Baldwin*, as quoted in the *Keller v. Adams Campbell* case (264 U. S. 314) wherein it was said:

> "In Abercrombie and Fitch Co. v. Baldwin, 245 U. S. 198, a change, in the reissue, of the language of an original claim made it cover not only a bent pipe as shown, but a straight pipe as well, where the substance of the invention included both, *and it was held that the intervening rights of immunity of the infringer did not extend beyond the date of the reissue.*" (Emphasis by the court.)

From these and other leading decisions considered, the Circuit Court of Appeals has correctly concluded (R. 308-10) that:

> "1. A broadened reissue applied for more than two years from the date of the original patent is invalid in the absence of special circumstances justifying the delay, which invalidity is not affected by the presence or absence of intervening rights. The invalidity of a belated reissue broadening the claims of the patent has its basis in the general patent law invalidating a patent applied for after two years of public use.
>
> 2. Since it is two years public use that will prevent an inventor from obtaining a patent, it follows that in the absence of knowledge of and reliance on the original patent, or facts creating an estoppel, a defendant relying on 'intervening rights' as a defense must show two years use prior to the date of the application for the broadened reissue. It is conceivable that such use might start prior to the issuance of the original patent, in which event the two years period would expire before the reissue would be barred

under (1) above. Or, the broadened reissue might be applied for more than two years after the issuance of the original, but nevertheless be valid because of sufficient excuse for the delay. In such instance, too, a defense of 'intervening rights' might arise.

Where the defendant can show two years use of the patent prior to the application for the broadened reissue, it would seem that it might constitute an absolute defense, extending beyond the date of the reissue. This is not necessary to now decide.

3. When the defense of 'intervening rights' is not based on two years user of the patent, it can only arise from knowledge of and reliance on the original patent, or facts creating an estoppel. The defense in these circumstances would prevent the retroactive application of the reissue, and make the defendant immune from suit for infringement up to the date of the reissue. Here the grant of the valid reissue might cut off the rights of the adverse user, and make him liable for infringement thereafter, depending upon the circumstances of the case.

In the instant case there was admittedly no knowledge of or reliance on the scope of plaintiff's patent, and no facts creating an estoppel. Furthermore, defendant has not shown a two-years user of the infringing patent. The defense of intervening rights is denied."

(8) No Practicable or Equitable Rule Has Been Suggested by Petitioner.

To save petitioner from the consequences of its infringement of respondent's patent rights, petitioner is now asking this court to lay down a *new rule* of interpretation, overruling its own prior decisions, and at variance with the statutory provisions relating to reissues. It is difficult to believe that this plea is prompted by any altruistic wish to protect the public interest, or to establish a new doctrine of law in the public interest, or for any

other reason other than the purely personal desire to escape the consequences of its deliberate and wilful infringement of respondent's patent rights.

Petitioner has outlined five different rules which it suggests might be adopted by this court. Not one of the suggested rules can be adopted without doing violence to the established principles laid down and adhered to by this court for the past 100 years.

First, petitioner suggests a rule of personal estoppel. Such a rule is contrary to the express holding of this court in *Stimpson v. West Chester Railroad, Eattin v. Taggert, White v. Dunbar,* and *Abercrombie v. Baldwin,* each of which holds against the acquisition of a personal intervening right with respect to a valid reissue patent. Moreover, any such rule would, of necessity, depend upon a finding of fact giving rise to an estoppel, and for that reason would be impracticable for general application. The elements of an estoppel are so seldom encountered, and so difficult to establish, that the rule would be of little if any value to the lower courts in other cases involving different facts.

The suggested rule, if announced by this court, would avail nothing to the present petitioner, since knowledge, intent, reliance, and other elements necessary to create an estoppel are absent from this case.

Secondly, petitioner suggests a rule involving the application of the doctrine of *laches* to the facts of each particular case, without benefit of the presumption arising from application of the "two-year rule". Such a rule could only result in increased confusion and misunderstanding. The two-year rule has been a guide for directing

the lower courts to a correct decision in the vast majority of cases where the point has arisen. By eliminating the two-year rule and placing each case strictly upon its own facts, the courts would be deprived of the only guide which they have had in the past on that issue; and such lack of uniformity as has occurred in the decisions rendered in the past would in all probability be magnified in the future. Moreover, such a rule goes solely to the question of validity, rather than "intervening right"; and would be of no aid whatever in settling the issue of "intervening right" which is believed to be the only question properly before the court in this proceeding. The present "two-year" rule (which under the amendment becoming effective August 5, 1940, may be assumed to be reduced to *one* year), lays down a reasonable measure of diligence by which laches may be gauged, and by which validity may be determined. It is submitted that this rule should not be disturbed.

As a third alternative, petitioner again suggests that this court abandon the long established "two-year" rule: and, in anticipation of the change which it is expected will follow the practice under the amendment becoming effective August 5, 1940, that this court lay down a new "one-year" rule to become effective before the time contemplated by the amendment of August 5, 1939. Obviously such a rule is suggested solely for the private advantage of petitioner in this case, in an effort to gain the advantage of a statutory amendment passed too late to save petitioner from the consequences of its past infringement. Petitioner admits that such a rule would be of little aid in deciding future cases, since it would only shorten the period within which the old question of "intervening

right" might arise. In any event, Congress has clearly stated that the amendment is not to be effective as to applications filed before August 5, 1940; and no retroactive effect, such as petitioner now seeks, was contemplated or is permissible.

As a fourth alternative (and the one most strongly urged), petitioner has asked this court to lay down a rule by which *any* use of an invention outside the scope of a defective or insufficient patent occurring between the date of the original patent and the date of application for reissue thereof, would invalidate broadened claims of the reissue on a presumption of laches, regardless of any other circumstance. Such a rule would effectively emasculate the reissue statute; and defeat its purpose. It would serve merely to encourage unscrupulous manufacturers to ferret out ways and means of avoiding the terms of any new patent that might strike their fancy. The rights of the inventor could be defeated without regard to the character of inadvertence, accident or mistake occurring in the original patent; and without regard to the diligence with which the patentee might act to correct such defects or insufficiencies. Any practice of the invention by third parties either with or without knowledge of the original patent, would invalidate any broadened claim to which the inventor might be entitled in a reissue of a defective or insufficient patent.

Less than one in a thousand original patents have been reissued. All too often, however, valuable inventions are placed in the hands of patent agents who, from lack of ability or understanding of the invention, or from insufficiencies in the disclosure by the inventor, permit

patents to issue improvidently with defective or insufficient specification or claims. The purpose of the reissue statute is to permit the correction in proper cases of such defects or insufficiencies. To permit the innocent patentee to be deprived of the right to secure a valid reissue in the circumstances contemplated by the statute because another, either by chance or by design, had made or used a device embodying the invention without infringing the strict terms of the defective patent, would be contrary to every principle of the law and practice relating to reissue patents heretofore recognized. An innocent mistake in the delineation of an invention in a patent claim would open the field to the unscrupulous pirate quick to copy a meritorious invention without contributing anything of a constructive nature to the public.

The patent laws are intended to encourage new industry, and to make it worth while for manufacturers to market new products, and to open up new lines of endeavor and new fields of employment, and so promote the public welfare. The imitator who merely follows in the wake of progress, edging in on the market created and proved by his more energetic and far-sighted rival, is entitled to little consideration. Certainly the imitator is not entitled to be rewarded, by being given a free field, merely because he strikes upon an evasion of a defective patent sooner than the patentee, who has pioneered the invention, discovers the insufficiency which makes the evasion possible.

One who has made a meritorious invention and disclosed it to the public, even defectively, is entitled to his reward of a patent. In more than nine hundred and ninety-nine patents out of a thousand, the original patent

serves the purpose of the inventor, and unlicensed appropriators may be restrained from use of the invention for the term of the patent. In the one thousandth patent, where inadvertence, accident or mistake has resulted in a defective patent, the reasonable time which this court has prescribed for making correction by reissue can hardly be regarded as a hardship upon anyone; unless it is the patent pirate, and he merits no sympathy or consideration.

As a fifth alternative, petitioner has suggested that this court overrule all of its past decisions sustaining the validity of broadened reissue patents, and that it now construe the reissue statute (R.S. 4916; U.S.C.A. Title 35, Sec. 64) to exclude the granting of reissues with broadened claims; and to hold that all reissues which include broadened claims are unauthorized. The suggestion is preposterous. Since before the first reissue statute (1832), this court has uniformly recognized (beginning with *Grant v. Raymond*) that patents may be reissued to correct defects and insufficiencies in an original patent. A defective or insufficient claim is obviously contemplated by the statute, and this court so held on numerous occasions (i. e., *Miller v. Brass, White v. Dunbar, Topliff v. Topliff*, etc.). The mere suggestion of such a scuttling of fundamental principles of the patent law as enacted by statute and applied by the courts clearly indicates the extremity in which petitioner now finds itself.

(9) A Simple Restatement of Old Rules and Principles Is All That Is Required to Restore Order to the Confused Issue of "Intervening Right".

Instead of any of the five new rules of construction which petitioner has urged this court to adopt in its behalf, all that is necessary to clarify and restore order to the

confused issue of "intervening right" is for this court to restate the old established rules and principles which it has laid down and consistently followed in the past. Those rules and principles may be summed up and restated in simple form which will dispose of this case, and answer the question of "intervening rights" in all future litigation, in full accord with the patent statutes and the past decisions of this court.

As to the question of an *individual* "intervening right" which is the issue primarily involved in this case, it is submitted that the rule, in substance should be that:

> No private or "intervening right" in derogation of a *valid* reissue patent, by reason of any use by any party of the invention claimed in the reissue patent, can arise between the date of the original patent and the date of application for reissue, unless said use shall have been for a time not less than that which would bar the grant of an original patent.

Such a rule is based squarely upon the decisions of this court in *Stimpson v. West Chester Railroad Co.*, *Battin v. Taggert*, *Topliff v. Topliff*, *White v. Dunbar*, and *Abercrombie v. Baldwin*, supra. Thus, it has been expressly held that use of an invention between the date of an original patent and the date of application for reissue gives the user no rights in derogation of the reissue (*Stimpson v. West Chester Railroad Co.*, *Battin v. Taggert*, and *Abercrombie v. Baldwin*); and that validity of a reissue patent is *not* affected by the activities of other parties during the period between the date of the original patent and the date of application for reissue. (*White v. Dunbar.*) It is of course the date of application for re-

ssue that controls, since appeals, interferences, or other proceedings in the Patent Office might readily so delay ssue of the reissue patent as to defeat the right to reissue hrough no fault of the applicant. That the two-year rule pplies to the same extent to reissue patents as the two-ear public use statute applies to original patents is pecifically held by *Topliff v. Topliff*. The exception is he one noted by the Circuit Court of Appeals in the resent case, and which is believed to be the exception hich this court had in mind as affording a possible "in-ervening right" when it rendered its decision in the *Topliff* case.

The rule above suggested by respondent rests upon the ssumed validity of the reissue patent in suit, which of ourse presupposes a proper case of inadvertence, acci-lent or mistake, as well as absence of any fraudulent or leceptive intention, and other prerequisites provided by he statute; also a timely application within the two-year ule as laid down by this court. Under no other circum-tances could a private "intervening right" arise, since public right would result in invalidity of the patent, nd there would be no occasion for an individual de-endant to rely upon a private intervening right.

Since only the defense of a private "intervening right" s properly raised in this proceeding, it is submitted that he question of laches as affecting the validity of the atent need not be here considered. However, because etitioner has based most of its argument upon the theory hat intervening rights, either public or private, may rise from laches upon the part of an applicant for a eissue patent, it is submitted that petitioner's argument

is fully met by the rule of diligence announced by this court in *Topliff v. Topliff*, wherein the court expressly ruled that in the case of reissues

> "* * * sought for the purpose of enlarging the claim, the lapse of two years will ordinarily, though not always, be treated as evidence of an abandonment of the new matter to the public *to the same extent* that a failure by the inventor to apply for a patent within two years from the public use or sale of his invention is regarded by the statute as conclusive evidence of an abandonment of the patent to the public."

The rule so announced affords an adequate measure of the diligence required to preclude laches; and a reaffirmation of that long accepted rule will obviate that issue in this case, and in comparable cases which may arise in the future. Under the amendment to R. S. 4886 becoming effective August 5, 1940, the period will presumably be shortened to one year in conformity with the shortened period of public use; but that change is not material to the present cause.

Aside from the two-year rule of diligence laid down in *Topliff v. Topliff*, respondent in this case is not subject to the defense of laches. The record clearly shows that the reissue patent here in suit was duly granted by the Patent Office; and its validity has been affirmed by the Circuit Court of Appeals. Respondent's reissue application was filed promptly after discovery of the defects and insufficiency of the original patent (Reissue Oath; Ex. 4, R. 100-1); and the Circuit Court of Appeals has correctly held that petitioner has failed to sustain the burden of proving its defense of estoppel or laches. (R. 289.)

SUMMARY.

Summarizing briefly, respondent submits:

1. That the issue here presented is confined to the question of a private "intervening right" alleged by petitioner in derogation of respondent's valid reissue patent rights.

2. That the "doctrine of intervening rights" as here raised, presupposes a valid reissue patent.

3. That the question of "intervening right" has long ago been decided by this court; and the decisions of this court preclude the acquisition of a private "intervening right" by petitioner in the present case. Even though the point had not been passed upon by this court, justice requires that the valid rights of a reissue patentee be protected against the artificial and untenable defense of "intervening right" contended for by petitioner.

4. That petitioner's defense of "intervening right" does not properly raise a question of "laches" in respondent's application for reissue. Also that, even though the question be raised, (1) the rule of diligence announced in *Topliff v. Topliff* precludes a finding of laches in this case; (2) the facts of the case do not warrant a finding of "laches"; and (3) petitioner has failed to sustain the burden of establishing "laches" as a defense.

5. That if it be assumed that the alleged defense of "intervening right" can arise, it can only be by virtue of an estoppel, or by two years prior use; and that the elements of an estoppel as well as such use are absent from the present case.

6. That the grant of respondent's reissue patent, and its enforcement against petitioner is in full accord with

public policy as expressed by the patent statutes and by the great weight of judicial interpretation. The public interest requires a true but liberal interpretation of the patent statutes to avoid a government of men instead of a government of law. The patent system of the nation has played too important a part in the progress of the nation and the raising of the national standard of living to permit any portion of the system to be scuttled for the benefit of an individual infringer.

CONCLUSION.

In conclusion, it is submitted that the decision of the Circuit Court of Appeals for the Ninth Circuit, here involved, has correctly decided all issues presented in the case; and that said decision should be affirmed. Respondent therefore prays that said decision be affirmed, and for such other and further relief as may seem proper in the premises.

Dated, San Francisco, California,
April 12, 1940.

Respectfully submitted,
CHARLES S. EVANS,
HUGH N. ORR,
Attorneys for Respondent.

SUPREME COURT OF THE UNITED STATES.

No. 671.—October Term, 1939.

Sontag Chain Stores Co., Ltd., Petitioner, vs. National Nut Company of California.	On Writ of Certiorari to the United States Circuit Court of Appeals for the Ninth Circuit.

[May 20, 1940.]

Mr. Justice McReynolds delivered the opinion of the Court.

The Circuit Court of Appeals declared respondent's reissue patent No. 20,024, for a nut treating apparatus, valid and infringed by petitioner's use of the accused machine, and rejected the defense of intervening rights. The record requires us to consider what effect an enlarged, inclusive reissue claim has upon the use of a machine manufactured and operated after grant of the original patent without infringing it, but which does come within the enlargement.

Kohler's patent—No. 1,958,409—with four narrow claims, issued May 15, 1934.

Petitioner procured and began to use the machine here accused about April 1, 1935. It first obtained actual knowledge of the original patent October 8, 1935 when notice of infringement was received. Nothing shows earlier knowledge by the manufacturer who began to make and sell like machines not later than August 1934.

By suit filed in the District Court, October 19, 1935, respondent charged petitioner with infringing the original patent, and asked appropriate relief. Infringement was denied by answer, November 22, 1935.

January 15, 1936 respondent applied for and on June 30, 1936 obtained a reissue patent—No. 20,024—with seventeen claims. The first four were identical with the original ones; thirteen of broader scope cover petitioner's machine. Respondent was moved to obtain the reissue by petitioner's use of the accused machine.

January 26, 1937 respondent began another proceeding charging infringement of the enlarged claims. Petitioner's answer relied

upon intervening rights acquired through public use without violating the original patent; also, invalidity of the reissue because of laches. The two suits were consolidated; claims one to four were not relied on. A single decree went for petitioner. Both bills were dismissed.

Infringement of respondent's design patent No. 89,347—February 28, 1933—was alleged, but both courts declared it not infringed. No point in respect of it is before us.

The District Court held—"That with respect to Kohler Reissue Letters Patent No. 20,024 in suit, this defendant and those in privity with it, including the manufacturer of the machine in question, acquired intervening rights which in equity plaintiff may not now disturb." The Circuit Court of Appeals reversed and directed a remand.

The cause is here by certiorari. Petitioner asserts the reissue patent is void because of laches; also that by reason of acquired intervening rights, use of the accused machine may continue.

The provision concerning reissues in the present Patent Act, Section 4916 Revised Statutes as amended by Act May 24, 1928, c. 730, 45 Stat. 732; U. S. C. A. Title 35, sec. 64, is copied in the margin.[1]

[1] Whenever any patent is wholly or partly inoperative or invalid, by reason of a defective or insufficient specification, or by reason of the patentee claiming as his own invention or discovery more than he had a right to claim as new, if the error has arisen by inadvertence, accident, or mistake, and, without any fraudulent or deceptive intention, the commissioner shall, on the surrender of such patent and the payment of the duty required by law, cause a patent for the same invention, and in accordance with the corrected specification, to be reissued to the patentee or to his assigns or legal representatives, for the unexpired part of the term of the original patent. Such surrender shall take effect upon the issue of the reissued patent, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent to the extent that its claims are identical with the original patent shall constitute a continuation thereof and have effect continuously from the date of the original patent. The commissioner may, in his discretion, cause several patents to be issued for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued letters patent. The specifications and claims in every such case shall be subject to revision and restriction in the same manner as original applications are. Every patent so reissued, together with the corrected specifications, shall have the same effect and operation in law, on the trial of all actions for causes thereafter arising, as if the same had been originally filed in such corrected form; but no new matter shall be introduced into the specification, nor in case of a machine patent shall the model or drawings be amended, except each by the other; but when there is neither model nor drawing, amendments may be made upon proof satisfactory to the commissioner that such new matter or amendment was a part of the original invention, and was omitted from the specification by inadvertence, accident, or mistake, as aforesaid.

It derives through the Acts July 3, 1832, c. 162, sec. 3, 4 Stat. 559; July 4, 1836, c. 357, sec. 13, 5 Stat. 117, 122; March 3, 1837, c. 45, sec. 5, 5 Stat. 191, 192; July 8, 1870, c. 230, sec. 53, 16 Stat. 198, 205.

The reissue provision, Act 1832, was supplanted without change presently important by the corresponding one in the 1836 Act. This was substantially reenacted in 1870. Modifications by the 1928 Act are not important here. *Stimpson* v. *West Chester Railroad Co.*, (1846) 4 How. 380, 402; *Parker and Whipple Co.* v. *Yale Clock Co.*, (1887) 123 U. S. 87, 96; Walker on Patents, Deller's edition (1937), Vol. 2, p. 1342. Robinson on Patents (1890) Vol. 2, sec. 653 *et seq.*

These provisions have often been before the courts and there are sharply differing views concerning them. Some of the pertinent cases are noted below.[2]

The Circuit Court of Appeals after holding the enlarged reissue claims valid and infringed further declared: "In the instant case there was admittedly no knowledge of or reliance on the scope of plaintiff's patent, and no facts creating an estoppel. Furthermore, defendant has not shown a two-years user of the infringing patent. The defense of intervening rights is denied."

For present purposes we assume, without deciding, correctness of the conclusion that the reissue patent was valid and infringed, and upon that assumption, we come to consider the effect of the enlarged claims upon petitioner's machine, lawfully manufactured and operated prior to their inception. There is nothing to show dishonesty, bad faith, or deceptive intention upon petitioner's part.

Counsel for respondent insist the denial of intervening rights finds adequate support in *Stimpson* v. *West Chester Railroad Co.*,

[2] Stimpson v. West Chester Railroad Co. (1846) 4 How. 380; Battin v. Taggert, (1854) 17 How. 74; Miller v. Brass Co., (1881) 104 U. S. 350; Mahn v. Harwood, (1884) 112 U. S. 354; Coon v. Wilson, (1885) 113 U. S. 268; Wollensak v. Reiher, (1885) 115 U. S. 96; White v. Dunbar, (1886) 119 U. S. 47; Newton v. Furst and Bradley Co., (1886) 119 U. S. 373; Ives v. Sargent, (1887) 119 U. S. 652; Parker and Whipple Co. v. Yale Clock Co., (1887) 123 U. S. 87; Electric Gas Co. v. Boston Electric Co., (1891) 139 U. S. 481; Topliff v. Topliff, (1892) 145 U. S. 156; Leggett v. Standard Oil Co., (1893) 149 U. S. 287; Dunham v. Dennison Manufacturing Co., (1894) 154 U. S. 103; Abercrombie & Fitch Co. v. Baldwin (1917) 245 U. S. 198; Kellog v. Adams Campbell Co., (1924) 264 U. S. 314, and cases there cited; Altoona Theatres v. Tri-Ergon Corp., (1935) 294 U. S. 477; Wooster v. Handy, (1884) 21 Fed. 51; Ashley v. Samuel C. Tatum Co., (1917) 240 Fed. 979; General Refractories Co. v. Ashland Fire Brick Co., (1926) 15 F. (2d) 215, reversed on appeal (1928) 27 F. (2d) 744; Christman v. New York Air Brake Co., (1928) 1 F. Supp. 211; Moto Meter Gauge & Equipment Corp. v. E. A. Laboratories, (1932) 55 F. (2d) 936.

supra; Battin v. *Taggert, supra; White* v. *Dunbar, supra; Topliff* v. *Topliff, supra; Abercrombie & Fitch Co.* v. *Baldwin, supra.* The first two are in point; but when considered in connection with later opinions are not decisive of the present issue. The other cases relied upon are not especially helpful.

The Patent Act of 1832 was a response to *Grant et al.* v. *Raymond,* (Feb. 23, 1832) 6 Pet. 218, 242, 243-244. The opinion there (Chief Justice Marshall) affirmed the power of the Secretary to grant an application dated April 20, 1825 for reissue of a patent dated August 11, 1821 although not expressly authorized so to do, upon the ground that this was necessary in order to effect the purposes of the Patent Act by securing to inventors full benefit of their discoveries through "faithful execution of the solemn promise made by the United States." The court said—

"An objection much relied on is, that after the invention has been brought into general use, those skilled in the art or science with which it is connected, perceiving the variance between the specification and the machine, and availing themselves of it, may have constructed, sold and used the machine without infringing the legal rights of the patentee, or incurring the penalties of the law. The new patent would retro-act on them, and expose them to penalties to which they were not liable when the act was committed."

"This objection is more formidable in appearance than in reality. It is not probable that the defect in the specification can be so apparent as to be perceived by any but those who examine it for the purpose of pirating the invention. They are not entitled to much favour. But the answer to the objection is, that this defence is not made in this case; and the opinion of the circuit court does not go so far as to say that such a defence would not be successful. That question is not before the court, and is not involved in the opinion we are considering. The defence when true in fact may be sufficient in law, notwithstanding the validity of the new patent."

Under the two-year rule of *Miller* v. *Brass Co.,* (1881) *supra,* note 2, a reissue patent granted in circumstances like those disclosed by the report of Grant's case, now would be declared invalid.

Simpson v. *West Chester Railroad Co.,* (1846) *supra,* note 2, involved infringement of a reissue, granted in 1835, of an original patent dated in 1831. The trial judge charged the jury—

"It clearly appears that the defendants constructed their railroad with the plaintiff's curves in 1834, one year or more before the plaintiff's application for his renewed patent; consequently they may continue its use without liability to the plaintiff."

This was declared in conflict with the reissue provision Act of 1832 and the corresponding one in the 1836 Act. The two are declared substantially alike. The Court said—

"It is plain that no prior use of the defective patent can authorize the use of the invention after the emanation of the renewed patent under the above section. To give to the patentee the fruits of his invention was the object of the provision; and this object would be defeated, if a right could be founded on a use subsequent to the original patent and prior to the renewed one. . . . Now any person using an invention protected by a renewed patent subsequently to the date of this act is guilty of an infringement, however long he may have used the same after the date of the defective and surrendered patent."

Battin v. *Taggert*, (1854) *supra*, note 2, reaffirmed *Stimpson* v. *West Chester R. R. Co.*, and disapproved the following instruction to the jury—"That a description, by the applicant, for a patent of a machine, or a part of a machine, in his specification, unaccompanied by notice that he has rights in it as inventor, or that he desires to secure title to it as a patentee, is a dedication of it to the public. That such a dedication cannot be revoked, after the machine has passed into public use, either by surrender and reissue, or otherwise."

The Court said—"Whether the defect be in the specifications or in the claim, under the 13th section [Act 1836] above cited, the patentee may surrender his patent, and, by an amended specification or claim, cure the defect. The reissued patent must be for the same invention, substantially, though it be described in terms more precise and accurate than in the first patent. Under such circumstances, a new and different invention cannot be claimed. But where the specification or claim is made so vaguely as to be inoperative and invalid, yet an amendment may give to it validity, and protect the rights of the patentee against all subsequent infringements."

"So strongly was this remedy of the patent recommended, by a sense of justice and of policy, that this court, in the case of Grant *v.* Raymond, 6 Pet. 218, sustained a reissued and corrected patent, before any legislative provision was made on the subject."

"How much stronger is a case under the statute, which secures the rights of the patentee by a surrender, and declares the effect of the reissued and corrected patent? *By the defects provided for in the statute, nothing passes to the public from the specifications or claims, within the scope of the patentee's invention. And this may be ascertained by the language he uses.*"

Miller v. *Brass Co.*, (1881) *supra*, note 2, departing from the view expressed in *Battin* v. *Taggert* concerning omissions in claims, declared—

"But it must be remembered that the claim of a specific device or combination, and an omission to claim other devices or combinations apparent on the face of the patent, are, in law, a dedication to the public of that which is not claimed. It is a declaration that that which is not claimed is either not the patentee's invention, or, if his, he dedicates it to the public. This legal effect of the patent cannot be revoked unless the patentee surrenders it and proves that the specification was framed by real inadvertence, accident, or mistake, without any fraudulent or deceptive intention on his part; and this should be done with all due diligence and speed. Any unnecessary laches or delay in a matter thus apparent on the record affects the right to alter or reissue the patent for such cause. If two years' public enjoyment of an invention with the consent and allowance of the inventor is evidence of abandonment, and a bar to an application for a patent, a public disclaimer in the patent itself should be construed equally favorable to the public. Nothing but a clear mistake, or inadvertence, and a speedy application for its correction, is admissible when it is sought merely to enlarge the claim."

"We think it clear that it was not the special purpose of the legislation on this subject to authorize the surrender of patents for the purpose of reissuing them with broader and more comprehensive claims, although, under the general terms of the law, such a reissue may be made where it clearly appears that an actual mistake has inadvertently been made. But by a curious misapplication of the law it has come to be principally resorted to for the purpose of enlarging and expanding patent claims. And the evils which have grown from the practice have assumed large proportions. Patents have been so expanded and idealized, years after their first issue, that hundreds and thousands of mechanics and manufacturers, who had just reason to suppose that the field of action was open, have been obliged to discontinue their employments, or to pay an enormous tax for continuing them."

Mahn v. *Harwood* (1884) *supra*, note 2, reaffirms *Miller* v *Brass Company*, and declares—

"The public is notified and informed by the most solemn act on the part of the patentee, that his claim to invention is for such and such an element or combination, and for nothing more. Of course, what is not claimed is public property. The presumption is, and such is generally the fact, that what is not claimed was not invented by the patentee, but was known and used before he made his invention. But, whether so or not, his own act has made it public property if it was not so before. The patent itself as soon as it is issued is the evidence of this. The public has the undoubted right to use, and it is to be presumed does use, what is not specifically claimed in the patent. Every day that passes after the issue of the patent

adds to the strength of this right, and increases the barrier against subsequent expansion of the claim by reissue under a pretence of inadvertence and mistake."

"The truth is (as was shown in *Miller* v. *The Brass Company*), that this class of cases, namely, reissues for the purpose of enlarging and expanding the claim of a patent, was not comprised within the literal terms of the law which created the power to reissue patents. But since the purpose of the statute undoubtedly was to provide that kind of relief which courts of equity have always given in cases of clear accident and mistake in the drawing up of written instruments, it may fairly be inferred that a mistake in a patent whereby the claim is made too narrow, is within the equity, if not within the words, of the statute. Yet no court of equity, considering all the interests involved, would ever grant relief in such a case without due diligence and promptness on the part of the patentee in seeking to have the error corrected. It is just one of those cases in which laches and unnecessary delay would be held to be a bar to such relief. And in extending the equity of the statute so as to embrace the case, the courts should not overlook or disregard the conditions on which alone courts of equity would take any action, and also on which alone the Commissioner of Patents has any power to grant a reissue."

See, *Clements* v. *Odorless Apparatus Co.*, (1884) 109 U. S. 641, 649-650; *Turner & Seymour Co.* v. *Dover Stamping Co.*, (1884) 111 U. S. 319, 326-327; *Coon* v. *Wilson*, (1885) 113 U. S. 268, 277.

Topliff v. *Topliff*, (1892) *supra*, note 2, recognizes that a valid reissue patent with enlarged claims may be granted, when the original is inoperative, under condition—

"Second. That due diligence must be exercised in discovering the mistake in the original patent, and that, if it be sought for the purpose of enlarging the claim, the lapse of two years will ordinarily, though not always, be treated as evidence of an abandonment of the new matter to the public to the same extent that a failure by the inventor to apply for a patent within two years from the public use or sale of his invention is regarded by the statute as conclusive evidence of an abandonment of the patent to the public."

In *Dunham* v. *Dennison Manufacturing Co.*, (1894) *supra*, note 2, infringement was alleged of a reissue, dated June 10, 1884, of an original patent issued May 8, 1883, for "a new and improved combined tag and envelope." This Court said—

"The patent of May 8, 1883, was expressly and distinctly, both in the specification and in the claims, limited to an envelope, with an opening at one end; with a flap, attached to the envelope at that end, of sufficient size to cover the whole of that side of the envelope in which the opening was; . . . The patentee thus gave the public to understand that an envelope, the flap of which did not

cover its whole length, would not come within his patent, and might rightfully be made by any one. After the defendant had made envelopes with a short flap of semi-circular shape and covering little more than the opening of the envelope, (which, it is admitted, did not infringe the plaintiff's patent as originally issued,) the plaintiff obtained a reissue, enlarging the claims, and altering the specification throughout, so as to include an envelope with a flap of any size or shape, and to make the invention consist, not, as in the leading words of the description in the original patent, of 'an envelope with an end flap covering its side,' but in 'a tag provided with means for attaching it to the merchandise, and with an envelope or pocket to receive a bill or invoice of the merchandise.' The words of the description in the original patent were neither technical nor complicated; but they were of the simplest kind, and their meaning and scope could not have been misunderstood by any one who read them with the slightest attention, least of all by the patentee. To uphold such a reissue under such circumstances would be to grant a new and distinct privilege to the patentee at the expense of innocent parties, and would be inconsistent with the whole course of recent decisions in this court."

Abercrombie & Fitch Co. v. *Baldwin*, (1917) *supra*, note 2, declared a reissue claim was not an enlargement and held the defendant guilty of violating the patent as originally written.

In Keller v. *Adams-Campbell Co.*, (1924) *supra*, note 2, certiorari was dismissed. The Chief Justice pointed out that the question of intervening rights while not free from difficulties, was not before the Court. It decided nothing presently important.

The opinions reviewed above will suffice to indicate the progressive efforts of the court to meet problems incident to our rapidly expanding patent system. From a small State Department bureau in 1836, the Patent Office has expanded until in 1939 over 40,000 patents were granted—in 1838, 515 were granted. Although of immense importance, the system has become exceedingly complex. Questions relative to reissued patents have long been vexatious to those immediately concerned with administration of the patent laws.

Miller v. *Brass Company*, *supra*, pointed out that "the evils which have grown from the practice [reissues] have assumed large proportions. Patents have been so expanded and idealized, years after their first issue, that hundreds and thousands of mechanics and manufacturers, who had just reason to suppose that the field of action was open, have been obliged to discontinue their employments, or to pay an enormous tax for continuing them."

"It is now accepted doctrine that "the claim of a specific device or combination, and an omission to claim other devices or combinations apparent on the face of the patent, are, in law, a dedication to the public of that which is not claimed." "This legal effect of the patent cannot be revoked unless the patentee surrenders it and proves that the specification was framed by real inadvertence, accident, or mistake. . . . . ." Also, that a reissue with enlarged claims, not applied for within the two years after the original, is void in the absence of extraordinary exculpating circumstances.

In the case under consideration the patentee might have included in the application for the original patent, claims broad enough to embrace petitioner's accused machine, but did not. This "gave the public to understand" that whatever was not claimed "did not come within his patent and might rightfully be made by anyone." The enlarged claims were presented with knowledge of the accused machine and definite purpose to include it.

Recapture within two years of what a patentee dedicates to the public through omission is permissible under specified conditions, but not, we think, "at the expense of innocent parties." Otherwise, the door is open for gross injustice to alert inventors and baffling uncertainty will hinder orderly development of useful arts.

The District Court properly ruled that petitioner had "acquired intervening rights which in equity plaintiff [respondent here] might not now disturb."

In *Ashland Fire Brick Co.* v. *General Refractories Co.*, (1928) 27 F. (2d) 744, 745-746, the matter of "Intervening Rights" was lucidly discussed. The opinion states the case thus:

"This is the usual suit for infringement based upon reissue patent No. 15,889, August 12, 1924, to Tackett, for a brick machine. The defense chiefly relied upon in the court below and here is that, between the date of the original issue and the application for the broadened reissue, the defendant had built and begun to operate its machines in a form which was not covered by the original patent, even though it were by the reissue, and that the defendants had thus acquired such a right, intervening with reference to the original and reissue, as to make it inequitable to enforce against it the later and broader monopoly."

And he concluded:

"Because the claims of the original patent were limited as to the form of conveyor, and because after the issue of the original patent and with knowledge of it and expressly appreciating its limited character, indeed, being governed therein by the advice of patent counsel, the defendant built a noninfringing brick machine, and still

before the reissue application another one, at a substantial expense, and put them into commercial use on a large scale by extensively selling their product, and thus made them substantially material to its manufacturing business, the defendant thereby acquired at least a right to continue to use these two machines as if it held a license therefor under the reissued patent."

We think this conclusion was right and appropriate in the circumstance presented.

In the instant case the accused machine went into operation when the owner had no actual knowledge of the original patent; but that circumstance we think ought not to defeat the defense based upon intervening rights. All patents must "be recorded, together with the specifications, in the Patent Office in books to be kept for that purpose." U. S. C. A. Title 35, sec. 39. Constructive notice of their existence goes thus to all the world. *Bogden* v. *Burke*, (1852) 14 How. 575, 582; *Wine Ry. Appliance Co.* v. *Enterprise Ry. Equipment Co.*, (1936) 297 U. S. 387, 393; Walker on Patents, Deller's edition (1937) Vol. 3, p. 2176. In consequence the owner of the machine here accused operated it with implied knowledge of the original patent and may justly claim whatever privileges would follow actual knowledge.

Grant, et al v. *Raymond*, *supra*, speaks disparagingly of one who having obtained knowledge of an invention from a patent thereafter appropriates what might have been claimed but was not. In the different conditions of today that observation would not be appropriate. We cannot conclude that one so circumstanced occupies a position superior to an honest inventor or user who has acted with implied but no actual knowledge of a recorded patent. "The purpose of the statute undoubtedly was to provide that kind of relief which courts of equity have always given in cases of clear accident and mistake in the drawing up of written instruments," and these courts are always tender of rights claimed by innocent parties. "A sense of justice and of policy" shelters them.

The possibility of defeating a charge of infringement by establishing intervening rights is adumbrated in *Grant* v. *Raymond*, *supra*. "The defence when true in fact may be sufficient in law notwithstanding the validity of the new patent."

The challenged judgment must be reversed with a remand to the Circuit Court of Appeals for further proceedings consistent with this opinion.

Reversed.